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## Organisational reforms in active welfare states: A comparative analysis of the turn to 'single gateways' in Western Europe

Champion Cyrielle

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**UNIVERSITE DE LAUSANNE**  
**INSTITUT DE HAUTES ETUDES EN ADMINISTRATION PUBLIQUE**  
**FACULTE DES SCIENCES SOCIALES ET POLITIQUES**

**Organisational reforms in active welfare states:  
A comparative analysis of the turn to ‘single  
gateways’ in Western Europe**

**Cyrielle Champion**

Thèse présentée à l’IDHEAP, fondation associée à l’Université de  
Lausanne, pour obtenir le grade de Docteur en administration publique

Sous la direction du Prof. Giuliano Bonoli

Lausanne,  
Septembre 2013

## IMPRIMATUR

Le Directeur de l'Institut de hautes études en administration publique, sur proposition d'un jury formé des professeurs Giuliano Bonoli, Andreas Ladner, François-Xavier Merrien, Jochen Clasen, sans se prononcer sur les opinions de la candidate, autorise l'impression de la thèse de Madame Cyrielle Champion, intitulée :

**Organisational reforms in active welfare states:  
A comparative analysis of the turn to 'single gateways' in Western Europe**

Lausanne, le 25 septembre 2013

Le Directeur de l'Institut



Prof. Martial Pasquier

## **Résumé**

S'appuyant sur le cas des réformes visant une meilleure coordination des politiques sociales et de l'emploi pour les personnes sans emploi en Europe, cette thèse a pour objectif de comprendre les raisons qui peuvent amener les gouvernements à se lancer dans des réformes organisationnelles de grande ampleur. Au cours des 20 dernières années, plusieurs pays européens ont en effet radicalement réaménagé l'architecture organisationnelle de leur Etat social en fusionnant ou regroupant les offices existants en charge des prestations sociales et des services de l'emploi sous l'égide de guichets uniques.

Alors que, dans les débats politiques et académiques, ces réformes ont généralement été présentées comme une réponse nécessaire et rationnelle aux problèmes et incohérences induits par la fragmentation des Etats sociaux dans un contexte où ceux-ci sont réorientés vers la réinsertion professionnelle, cette thèse montre que la mise à l'agenda de ces réformes est en fait le résultat de dynamiques politiques multidimensionnelles. Plus précisément, l'argument principal de cette thèse est que ces réformes sont mieux comprises en partant non pas des problèmes liés au cloisonnement des organisations, dont la reconnaissance politique s'avère souvent controversée, mais des divers objectifs que les gouvernements peuvent réaliser simultanément à travers leur adoption.

Cet argument est testé en comparant les processus de mise à l'agenda de réformes radicales de coordination au Royaume-Uni (Jobcentre Plus), en Allemagne (réforme Hartz IV) et au Danemark (réforme des Jobcentres de 2005), et en les confrontant au cas suisse où le gouvernement a jusqu'ici toujours rejeté toute initiative de coordination allant dans le sens d'une refonte organisationnelle. Cette comparaison met au jour l'importance, pour l'émergence de ces réformes, de la possibilité de les coupler aux trois objectifs suivants: premièrement, des objectifs liés au renforcement des politiques d'activation, deuxièmement, des objectifs institutionnels visant à redéfinir la distribution des responsabilités entre état central et acteurs non-étatiques, et finalement des buts électoraux pour les gouvernements cherchant à asseoir leur crédibilité politique. Le rôle décisif des objectifs électoraux dans les 3 pays suggère que ces réformes ne sont pas tant liées à une appartenance politique qu'aux pressions particulières auxquelles sont confrontés des gouvernements arrivés au pouvoir après de longues périodes d'opposition.

## **Abstract**

Based on the case of reforms aimed at integrating the provision of income protection and employment services for jobless people in Europe, this thesis seeks to understand the reasons which may prompt governments to engage in large-scale organisational reforms. Over the last 20 years, several European countries have indeed radically redesigned the organisational structure of their welfare state by merging or bundling existing front-line offices in charge of benefit payment and employment services together into 'one-stop' agencies.

Whereas in academic and political debates, these reforms are generally presented as a necessary and rational response to the problems and inconsistencies induced by fragmentation in a context of the reorientation of welfare states towards labour market activation, this thesis shows that the agenda setting of these reforms is in fact the result of multidimensional political dynamics. More specifically, the main argument of this thesis is that these reforms are best understood not so much from the problems induced by organisational compartmentalism, whose political recognition is often controversial, but from the various goals that governments may simultaneously achieve by means of their adoption.

This argument is tested by comparing agenda-setting processes of large-scale reforms of coordination in the United Kingdom (Jobcentre Plus), Germany (Hartz IV reform) and Denmark (2005 Jobcentre reform), and contrasting them with the Swiss case where the government has so far rejected any coordination initiative involving organisational redesign. This comparison brings to light the importance, for the rise of organisational reforms, of the possibility to couple them with the following three goals: first, goals related to the strengthening of activation policies; second, institutional goals seeking to redefine the balance of responsibilities between the central state and non-state actors, and finally electoral goals for governments eager to maintain political credibility. The decisive role of electoral goals in the three countries suggests that these reforms are less bound by partisan politics than by the particular pressures facing governments arrived in office after long periods in opposition.

## Acknowledgements

Working on this thesis has been very much like trying to make a Bach's fugue sing. Ten years ago, when I was struggling with a Bach's four-voice fugue, trying to bring out the theme with two thumbs while having my remaining eight fingers busy with other melodies, my last professor of piano once told me: 'The art of music is all about making sound the most unwieldy and technical pieces clear and melodious'. Paul, you have no idea how much I have thought about your words during the process of this thesis.

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## List of abbreviations

<b>ALMP</b>	Active Labour Market Programmes	
<b>ASMK</b>	Arbeits- und Sozialministerkonferenz (Deutschland)	<i>Conference of Länder ministers of social affairs and work</i>
<b>BA</b>	Benefits Agency	
<b>BDA</b>	Bundesvereinigung der Deutschen Arbeitgeberverbände	<i>German Confederation of employers</i>
<b>CDAS/SODK</b>	Conférence des Directeurs-rices cantonaux des Affaires Sociales	<i>Conference of cantonal ministers of social affairs</i>
<b>CDEP/ VDK</b>	Conférence des Chefs des Départements cantonaux de l'Economie Publique	<i>Conference of cantonal ministers of Economy</i>
<b>CDU</b>	Christlich Demokratische Union Deutschlands	<i>Christian Democratic Union</i>
<b>CII</b>	Collaboration Interinstitutionnelle	<i>Inter-agency collaboration</i>
<b>CPA/PVK</b>	Contrôle Parlementaire de l'Administration	<i>Parliamentary confrol of the Administration</i>
<b>CSIAS/SKOS</b>	Conférence Suisse des Institutions d'Action Sociale	<i>Swiss conference for social welfare</i>
<b>CSSS-CN</b>	Commission de la Sécurité Sociale et de la Santé publique, Conseil National	<i>Parliamentary Commission of Social Security</i>
<b>DA</b>	Dansk Arbejdsgiverforening	<i>Confederation of Danish Employers</i>
<b>DSS</b>	Department of Social Security	
<b>DWP</b>	Department for Work and Pensions	
<b>DfEE</b>	Department for Education and Employment	
<b>EES</b>	European Employment Strategy	
<b>ES</b>	Employment Service	
<b>ESA</b>	Employment and Support Allowance	
<b>EU</b>	European Union	
<b>HoPES</b>	Heads of Public Employment Services	
<b>JSA</b>	Jobseekers Allowance	
<b>KL</b>	Kommunernes Landsforening	<i>Local Government Denmark</i>
<b>LO</b>	Landsorganisationen i Danmark	<i>Danish Confederation of Trade Unions</i>
<b>MAMAC</b>	Medizinisch-ArbeitsMarktliche Assessments mit Case Management	

<b>MDSO</b>	Most Different-Similar Outcome research design	
<b>MP</b>	Member of Parliament	
<b>MSDO</b>	Most Similar-Different Outcome research design	
<b>MoZArT</b>	Modellvorhaben zur Verbesserung der Zusammenarbeit von Arbeitsämtern und Trägern der Sozialhilfe	
<b>NPM</b>	New Public Management	
<b>OECD</b>	Organisation for Economic Co-operation and Development	
<b>OFAS/BSV</b>	Office Fédéral des Assurances Sociales	<i>Federal Social Insurance Office</i>
<b>OFS /BFS</b>	Office Fédéral de la Statistique	<i>Federal Statistical Office</i>
<b>ORP/RAV</b>	Office Régional de Placement	<i>Regional Placement Office</i>
<b>PES</b>	Public Employment Services	
<b>PM</b>	Prime Minister	
<b>PS/SP</b>	Parti Socialiste Suisse	<i>Social-Democratic Party of Switzerland</i>
<b>SA</b>	Social Assistance	
<b>SECO</b>	Secrétariat d'Etat à l'économie	<i>State Secretariat for Economic Affairs</i>
<b>SPD</b>	Sozialdemokratische Partei Deutschlands	<i>Social-Democratic Party of Germany</i>
<b>SVP</b>	Schweizerische Volkspartei	<i>Swiss People's Party</i>
<b>UA</b>	Unemployment Assistance	
<b>UB</b>	Unemployment Benefit	
<b>UBI</b>	Unemployment Benefit I, Germany (unemployment insurance)	
<b>UBII</b>	Unemployment Benefit II, Germany	
<b>UI</b>	Unemployment Insurance	
<b>UK</b>	United Kingdom	
<b>WS</b>	Welfare State	

## INTRODUCTION

Fragmentation has long been a common feature of European welfare states. Despite some national variations, income maintenance benefit schemes have generally been marked by a division by social risks, typical of industrial societies. With regard to social and employment policies for jobless people of working age (15-64 years old), unemployment benefits, social assistance, and incapacity-related benefits have traditionally constituted three broad pillars covering varying social risks and operating under different sets of rules in terms of funding, generosity, eligibility and obligations (see e.g. Flora and Heidenheimer 1981, Kvist 1998, Clasen and Clegg 2011). Organisationally, the provision of these benefit schemes was dealt with by separate public and para-public agencies. Also, with the most notable exception of Germany, different organisations were in charge of the tasks of benefits payment and employment services in the case of unemployment benefits (Bolderson et al. 1997, Clasen 2001, Lippoldt and Brodsky 2004, Clasen and Clegg 2011).

Over the past twenty years, this traditional organisational and substantive division of social and employment policies by industrial social risks has been seriously challenged. In several European countries, reforms were undertaken which have aimed at reorganising the provision of benefit payment and employment services in view of improving coordination. Most often, those reforms have targeted public and para-public organisations delivering income maintenance benefits and employment-related services. The organisations typically affected by these reforms have been unemployment benefit funds, municipal social assistance offices and Public Employment Services (PES), which have traditionally assumed the task of connecting jobseekers with employers through job search counselling, job placement and allocation of active labour market policies (Minas 2009, Champion and Bonoli 2011, van Berkel et al. 2011b). In contrast, reforms towards coordination have more rarely affected the existing division between income maintenance benefit schemes.<sup>1</sup>

Although the coordination of social and employment policies has been increasingly praised in Europe and the OECD, a quick look at concrete reforms adopted in this direction shows us that they have taken various forms. In some countries, they have been quite radical, and have fundamentally altered pre-existing organisational arrangements, either by merging delivery organisations or by creating one-stop-shops in which several organisations work together under one single roof (Overbye et al. 2010, Askim et al. 2011). In other countries, reforms have been more modest, and sought to improve coordination within the confines of existing organisational boundaries. One such case is Switzerland, where coordination has been achieved through inter-agency cooperation developed at the regional level (Champion and Bonoli 2011).

The objective of this study is not to make sense of the different shapes these reforms have taken across Europe, but instead to try to explain the adoption of the most radical forms of coordination like outright mergers or the creation of one-stop-shops gathering various services and benefits at one single place. Because these reforms, which I call organisational reforms,

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<sup>1</sup> Notable exceptions in Europe are Germany with the Hartz IV reform adopted in 2005 (see section 1.2), and the UK, where a Universal Credit is replacing six of the main means-tested benefits and tax credits from 2013.



have often profoundly transformed the organisational landscape of the provision of social and employment policies, they deserve careful attention with regard to their driving forces and motivations.

So far, the welfare state literature and, to some extent, the New Public Management (NPM) literature, have predominantly interpreted these reforms in functionalist terms. In this view, the turn to coordination reforms simply represents rational and self-evident responses to two types of problems induced by the fragmentation of welfare states (Dupuis 2007, Moseley 2009). The first of these problems is the increasing inconsistencies and 'siloisation' of public administration resulting from the New Public Management movement of the 1980s and 1990s (Christensen et al. 2009, Bouckaert et al. 2010). The second is, in the context of social and employment policies, the inability of fragmented structures to sustain the reorientation of welfare states towards employment promotion as the key overarching goal for all categories of jobless people of working age. Against this background, reforms towards more coordination have often been justified by referring to the 'need' to expand employment-related support to all categories of benefit claimants, and to eliminate costly and user-unfriendly duplications of services (Clegg 2007, Christensen et al. 2009, Overbye et al. 2010, van Berkel 2010).

It is not the purpose of this study to deny that the problems and inefficiencies induced by fragmented delivery structures in a changing policy and societal environment have created the conditions for the promotion of coordination. But it appears however that a sole functionalist and rational understanding of coordination reforms, especially in their most radical forms, misses out on several important aspects of these reforms.

First, it forgets that organisational reforms, because they threaten to disrupt the existing balance of power between the actors involved, are eminently political issues that entail very high risks of being defeated or seriously compromised by political resistances. As this study will show, in all countries under examination, the adoption of comprehensive organisational reforms effectively caused huge political and administrative turmoil, and generally gave rise to very complex organisational arrangements. Hence, for governments, engaging in such reforms has seldom been as self-evident as usually assumed. In fact, as has long been acknowledged in the literature that has specifically examined the politics of administrative reform (e.g. Salamon 1981, March and Olson 1983, Fesler and Kettl 1991, Peters 2010), because they cumulate political and bureaucratic resistance, large-scale mergers or organisational restructuring processes are rarely easy to get through, and their effective benefits in terms of administrative simplification and efficiency often remain uncertain.

Second, as the same authors point out, large-scale organisational restructuring is rarely the product of one single cause, and even less of the unique search for more efficient services. Instead, these authors find that, given their very uncertain efficiency gains, such reforms tend to have greater chances to succeed if they are used to achieve other collateral benefits (Salamon 1981, Fesler and Kettl 1991). Among such collateral benefits, one can mention the pursuit of policy changes that go well beyond a more effective implementation of public policies. On many occasions, it has been noted that the decentralisation or outsourcing of tasks, through their implications for budget allocations, helped governments to realise

economies of scale and disguise cutbacks in services and programmes (Pierre 1993, Pierson 1994, Clayton and Pontusson 1998, OECD 2005: 121). Restructuring organisations for achieving policy changes may therefore very well apply to coordination initiatives. Besides, administrative reorganisation may also be pursued for its symbolic function of showing the population that something is being done in one particular policy area, or that the government is genuinely concerned about bureaucratic excesses and rigidities. In such cases, it is certainly less the actual outcomes in terms of administrative efficiency and labour market participation that matter in the adoption of such reforms, and more the signal they send to the population (Fesler and Kettl 1991, Howlett 2000, Peters 2010, Pollitt and Bouckaert 2011).

The high political risks entailed in organisational changes, combined with opportunities for achieving collateral policy and symbolic gains, crucially highlight that organisational reforms are much less self-evident or anodyne than commonly assumed by welfare state and NPM scholars. In this context, the question is: why did many European national governments choose to engage in a large-scale restructuring of the way social and employment policies are delivered? And what kinds of factors and motivations prompted them to champion such reforms despite their high political risks and uncertainties?

The question of the various factors and motivations that persuaded governments to turn to coordination reforms is precisely what this study seeks to investigate. To do so, it examines in detail the agenda setting processes that led to the introduction of large-scale organisational reforms towards integrated systems in three European countries, namely the UK, Germany, and Denmark. In the 2000s, despite important differences in their socio-economic, institutional and political backgrounds, these three countries put the issue of coordination on their political agenda and successfully reorganised the provision of income protection and employment services in this direction. A comparison of their experiences should therefore allow to shed light on similar causal mechanisms. However, in order to confront findings and avoid potential biases in favour of facilitating causes, this study also includes a fourth case, Switzerland, where no comprehensive organisational change has taken place so far.

By trying to explain the turn to organisational reforms towards coordination in European social and employment policies, this study seeks to fulfil two purposes. At a more concrete level, it first endeavours to reassess the role and importance of organisational reforms in the field of the welfare state: Within the vast scholarship on welfare states, organisational changes, i.e. all types of reforms directed at welfare states' organisational arrangements, have long been considered as the poor relation of substantive policy changes affecting the content of welfare state programmes. It is only recently that this issue has gained in importance, and that a set of authors has tried to show that organisational reforms in this area are not just about modernising the way money and services are delivered, but can have substantial impacts on policy content, social rights, and on the distribution of political and administrative powers between central states and other non-state actors (e.g. Johansson and Hvinden 2005, Newman 2007, van Berkel and Borghi 2007, Clasen and Clegg 2011, Jantz and Jann 2013). This study therefore falls within this burgeoning literature that tries to re-evaluate the importance of organisational changes in welfare states, though not so much by looking at their policy and political implications, but by pointing to the complex mechanisms and reasons at their origins. By so doing, this study also seeks to re-emphasise the eminently political nature of

organisational reforms in the realm of welfare states that functionalist and rational approaches have tended to evacuate so far. Like other policy changes in welfare states, organisational changes are above all political processes, and there is an urgent need for recognising this dimension.

Secondly, this study uses the case of organisational reforms in social and employment policies to advance our theoretical understanding of agenda-setting processes, or—put differently—of the reasons and mechanisms explaining why governments start to devote serious attention to some policy solutions whilst ignoring others (Kingdon 1995, Baumgartner et al. 2008, Green-Pedersen and Wilkerson 2008). In line with agenda-setting theories, this study's main contention is that the adoption of organisational reforms is not simply determined by imperatives of problem pressures and organisational modernisation as common wisdom and mainstream research in the welfare state literature tend to assume. Rather, it proposes an innovative model that takes its point of departure in the recognition that organisational reforms are inherently multidimensional, and argues that it is precisely the meeting of expected benefits on these multiple dimensions that may explain the rise of organisational reforms onto government agendas. By explaining the emergence and adoption of organisational reforms as the result of the confluence of several dimensions, this study borrows much from the multiple-stream model of agenda setting developed by J.W. Kingdon (1984, 1995). It however re-visits it in that it argues that multidimensionality does not only refer to the context surrounding political actors, but can also be found in the attributes of organisational reforms and their capacity to fit with the policy goals and political contexts in which governments evolve. By so doing, this study departs from a narrow focus on single dimensions (policy vs organisational vs political developments) and single causes (e.g. problem pressures) typical of many common theoretical approaches, and instead contributes to an emerging research agenda on the multidimensional dynamics of reform processes (Häusermann 2010a, Bonoli and Natali 2012), albeit adapted to organisational reforms and centred on actors' motivations and understanding of their environment.

### ***When organisational reforms meet several government goals: The argument in brief***

As mentioned above, this study seeks to investigate the complex reasons and motivations that have triggered the turn to comprehensive organisational reforms. To do so, it proposes and tests an innovative explanatory approach centred on the various goals that may be achieved through organisational reforms. Building on the insights provided by the literatures on the politics of administrative reform, on agenda-setting (Kingdon 1984, 1995) and party goals (Weaver 1986, Müller and Strom 1999), this model distinguishes three broad types of functions that organisational reforms may fulfil: policy, electoral and institutional goals.

*Policy goals* are perhaps the most evident ones, since one of the central tasks of public-sector organisations has been to deliver policy programmes and services. From this perspective, reorganisation is mainly undertaken in view of filling implementation gaps or adjusting organisational structures to changing policies and societal demands. In the case of efforts to integrated services delivery in social and employment policies, the desire to pool

employment-related competences and resources in order to provide services tailored to the complex needs of the long-term unemployed, rather than to their benefit status, is a prime example of a (activation) policy goal. Alternatively, one can also mention the goal of more effective enforcement of benefit sanctions by bringing together the tasks of employment services and benefit payment. Such goals typically fall within the category of rational-functional goals aiming to solve organisational dysfunctions and search for a more effective implementation of policies. But, as previously argued, policy goals may sometimes be more strategic, using organisational reforms in a deliberate attempt to change the content of policies.

Apart from policy goals, one can however identify two further types of goals. Based on research on the politics of administrative reforms, these are first *symbolic electoral goals* intended to claim credit with the population for doing something and for showing concern for a more efficient and responsive public sector. Considering administrative reforms as a matter of electoral politics does not necessarily mean that political actors have never been genuinely interested in improving the public sector, or that the public effectively buys into such arguments. Nevertheless, because electoral rewards may be immediate and require little effort by governments, they may constitute an additional valuable motive for governments to promulgate administrative reforms.

Finally, a third type of goals, which implies a strategic view of organisational reforms, consists in what one can call *institutional goals*. Inasmuch as every administrative reorganisation may alter the distribution of responsibilities and power between organisational actors, one can expect governments eager to strengthen central control or to curtail the seemingly disproportionate power of non-state actors to deliberately use organisational reforms to achieve this goal. This institutional function of organisational reforms may be particularly significant in countries where the state had historically delegated important administrative and financial responsibilities to social partners and local authorities.

It is argued here that these last two goals, albeit less often openly claimed, play a determining role in the adoption of organisational reforms towards coordination. Faced with the uncertainties and risks that weigh upon organisational reforms, the main argument here is that the perceived opportunity by governments to achieve collateral electoral and institutional gains decisively contributes to the agenda setting of organisational reforms, by removing the last doubts about the prospects and most appropriate features of organisational reforms. In other words, it is hypothesised that it is only when governments perceive an opportunity to achieve several goals at the same time that they put such reforms high on their agenda.

Framed this way, national governments arguably appear as materialist actors primarily guided by the maximisation of their self-interests. While I subscribe to the view that governments arrive in office with broad electoral and policy interests (seeking re-election, expanding or retrenching some policy programmes), I follow Kingdon's (1995) assumption that their choices and decisions are also largely contingent upon changing circumstances and fortuitous meeting of favourable conditions. It is in this sense that we may also understand the decisive role played by electoral and institutional goals, which, when brought into light, can create formidable windows of opportunity for organisational reforms.

## ***Thesis outline***

*Chapter one* sets the background for understanding the emergence of organisational reforms in direction of integrated delivery systems in social and employment policies. It situates the policy context in which organisational reforms have emerged and presents the mainstream explanations, i.e. functionalist and rational arguments. Whereas many of these apply to the wider public sector, some are more specific to the development of social and employment policies, stressing the difficulties of historical fragmented organisational arrangements to successfully implement activation policies. Although these mainstream rational-functionalist arguments give us a picture of the policy problems underlying organisational reforms, the last section of this chapter challenges their validity by reminding us of the highly political nature of organisational restructuring and its many political risks and uncertainties.

A theoretical *Chapter two*, presents the main theories accounting for policy changes, as they have emerged from the comparative welfare state literature. For each of these theories, the main insights and limits are reviewed in light of our analytical purpose. Perhaps more than the NPM literature so far, the welfare state literature has given rise to a rich set of theoretical approaches providing valuable insights into the determinants that may have facilitated the adoption of organisational reforms. However, because they tend to focus on single factors and macro-level determinants of change, those theories of welfare state changes partially fail to explain the choices and motivations of political actors to take up organisational reforms. For this reason, this chapter also examines other theories, in particular those on agenda-setting (Kingdon 1984, 1995) and party goals (Weaver 1986, Müller and Strom 1999). The chapter concludes by developing the explanatory argument outlined above.

As already pointed out, this study aims to identify the reasons and motivations for the turn to organisational reforms. For this purpose, I develop four case studies retracing the agenda setting process of particular organisational reforms in the following countries: the UK, Germany, Denmark and Switzerland. *Chapter three* principally addresses the methodological questions related to the selection of countries and reforms to test the validity of the argument, as well as the method used to trace the reasons why governments have engaged (or not, in the Swiss case) in such organisational reforms. An investigation into the motivations and triggers that have persuaded political actors to take up reform must be done with caution, as written information is only of partial use for this early policy-making stage that largely takes place outside formal political arenas. This chapter therefore warns us about some limitations inherent to such a questioning.

*Chapters four to seven* contain the empirical part of this thesis. It consists of four detailed country chapters. Three of them describe the agenda-setting process leading to the introduction of organisational reforms for the first three countries. Chapter seven, in contrast, presents the Swiss case, and examines the reasons for failed attempts at organisational reforms and the persisting rejection of the federal Swiss government's calls for change.

*Chapter eight* comparatively discusses the main findings of the four case studies and assesses the applicability of our theoretical argument. Finally, some last conclusive remarks review the theoretical contribution of this study and highlight the long-lasting organisational and policy implications of the reforms under study.

## **1. THE PUZZLE: ORGANISATIONAL REFORMS AS A RATIONAL RESPONSE TO FRAGMENTATION PROBLEMS?**

The past fifteen years have seen a wave of organisational reforms across Europe for integrating the provision of social and employment policies. In many European countries, governments have tried to reorganise the delivery of income protection for jobless people of working age and employment services in the direction of greater coordination. The reforms under investigation have taken various shapes. But they are similar in that they all sought more integration by creating one-stop-shops or single gateways to the social security and employment systems for jobless benefit claimants.

In political and academic debates, this wave of organisational reforms in social and employment policies<sup>2</sup> have been mostly explained in functionalist and technical terms. Essentially, they have been presented and justified as primarily a matter of adapting and adjusting organisations to the growing difficulties of fragmented structures to address increasingly complex problems and to implement new policies successfully. In particular, the need for greater coordination was seen as emerging from two parallel developments that occurred over the past twenty years. The first one, specific to social and employment policies, was the shift from activation policies intended to promote the return to work of all categories of benefit claimants. The second one was the widespread introduction of New Public Management (NPM) instruments of performance management, which fostered a ‘siloesation’ of organisations precisely at a time when ‘wicked’ problems such as long-term unemployment were building and required collaborative strategies for resolving them (Pollitt 2003, Fimreite and Laegreid 2005, Christensen and Laegreid 2007a). Combined, these two developments are understood as having created the need to adjust and modernise organisational arrangements initially designed to deal with distinct social risks.

At first glance, such functionalist arguments make sense. After all, adapting public administration to societal and public policy changes has always been a major concern of governments (Fesler and Kettl 1991, Peters, 2010: 161). However, a closer look at the challenges in bringing about radical organisational restructuring, for example mergers or one-stop-shops, quickly reveals the shortcomings of a purely technical and problem solving view of these reforms. Organisational reforms are plagued with uncertainties. First, the actual costs generated by the fragmentation of organisational arrangements are far from easy to evaluate. If fragmentation entails powerful shortcomings, it does have advantages in terms of competence specialisation and performance management. Second, and perhaps more crucially, for reform-minded governments, there is nothing more uncertain than whether radical organisational restructuring will effectively deliver more efficient solutions or not. In particular, fierce political conflict about who is to take responsibility, and implementation problems, are aspects likely to undermine the benefits to be realised from organisational restructuring. In reality, as we will see later in this study, governments moved mostly on the

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<sup>2</sup> In this study, I generally use the term ‘social and employment policies’ to refer to the range of cash benefits and employment-related services existing in each country for jobless people of working age (i.e. between 18-64 years old)

basis of other motivations. Sometimes, organisational reforms provided them with an opportunity to modify power relations within organisations (e.g. curtail the power of trade unions). Sometimes, they simply provided governments with an opportunity to demonstrate their commitment to efficient governance. But nowhere were these reforms motivated solely by a rational, evidence-based problem solving.

This chapter seeks to set the background and context for the study of the motivations that led governments of several countries in Europe to push organisational reforms towards integrated social and employment policies in their political agenda. I begin by exposing the main forms of fragmentation that characterised European welfare states until the 1990s, and then move on to a more precise picture of the organisational reforms at the centre of the current study. This chapter then reviews the two mainstream justifications for the adoption of organisational reforms towards integrated delivery systems which are found in the recent literatures on welfare state development and New Public Management. Finally, some important empirical shortcomings of rational, problem-solving approaches are discussed based on research on the politics of administrative reforms. Confronted with persistent limited effects of organisational reforms, even the most drastic ones, this literature has long acknowledged the eminent political dimension of organisational reforms and highlighted the variety of objectives that governments have pursued through such reforms.

### **1.1. The internal fragmentation of welfare states until the 1990s: substantive and organisational dimensions**

Despite large cross-national disparities in the programme designs of national welfare states, one of the key persistent features since their creation in the early 20<sup>th</sup> century has been their institutional fragmentation or division along various social contingency lines. Modern welfare states developed to provide financial compensation, and services in kind, in situations where individuals were unable to provide for themselves and their families for reasons related to the life cycle (old age, maternity), temporary or long-term employment incapacity (sickness, injuries, invalidity) or in the event of involuntary loss of employment (Flora and Heidenheimer 1981). For each of these social risks, different income maintenance schemes were established, which all operated under their own rules regarding the type of support (social insurance, means-tested, etc.), the duration and level of cash benefits, and conditions of access.

In Western Europe, unemployment benefits, incapacity-related benefits and last resort social assistance programmes have historically belonged to the core set of income compensation programmes for people of working age (before retirement age) who find themselves out of work on account of any one of these social risks. They all differed substantially in both their governing principles and target population. Generally speaking, unemployment insurance was initially introduced to provide income compensation for the short-term unemployed for a limited period of time and insurance was contingent upon a sufficient number of work records. In some countries, unemployment insurance was complemented by a second-tier, usually means-tested, unemployment assistance for the unemployed who had exhausted their

entitlement to unemployment insurance (Clasen and Clegg 2011: 3). As for social assistance, it has always relied on the principle of need, offering minimum income protection of last resort for people in need and not entitled to any other insurance-based protection. In many countries where there have been no specific unemployment assistance benefits for the long-term unemployed, social assistance has endorsed the function of a second tier of protection for the long-term unemployed who have exhausted their unemployment benefits entitlement. Finally, incapacity-related benefits were historically established to offer income compensation for people incapable of working, due to either illness or injury.

This division of benefit programmes by social risks typical of industrial societies forms what one can call a fragmentation of the welfare state at the *substantive policy level*. Traditionally, the substantive policy level has been the most visible side of the welfare state and also the one most exposed to reform initiatives. Because substantive benefit programmes directly affect the well-being of large fringes of the population and involve large amounts of state funding, they have usually monopolised political and public attention in welfare state debates. Yet, the welfare state also consists of a less visible side, which is the way in which benefit programmes are organised, delivered and administered. This organisational dimension of the welfare state, which focuses on the governance and implementation of benefit programmes and services, is what some welfare state scholars have recently called the ‘operational policy’ side of welfare states (Carmel and Papadopoulos 2003, Borghi and Van Berkel 2007, Bredgaard and Larsen 2008). It is this second dimension, the operational-organisational dimension of welfare states that the current study is concerned with.

Albeit analytically distinct, the two dimensions of welfare states, namely the substantive content of benefit programmes and the way of delivering them, have always been strongly connected (Carmel and Papadopoulos 2003). Partly reflecting the division of benefit programmes along social risks, a similar division prevailed in the structure of organisations in charge of administering and delivering benefits to people who claim them. Yet, if no single typology of welfare regimes can accurately capture cross-national similarities and differences in existing benefit programmes, the task appears even trickier in the case of the organisational structure of welfare states. The classical distinction between liberal, continental-corporatist and Nordic universalist welfare regimes (Esping-Andersen 1990) represents only one dimension of cross-national variation, most notably with respect to the preponderance of occupational distinctions and the self-regulatory role of social partners typical of Continental-corporatist countries. But to this should be added another important dimension of cross-national variation, which pertains to government systems and the autonomy of local governments. It is not the purpose of this section to describe a detailed typology of organisational structures of national welfare states. It is enough to underline that here again, large cross-national variations have always existed, and they essentially pertain to the number of organisations involved and the responsibilities assumed by non-state actors like social partners or local authorities (Mabbett and Bolderson 1998).

Regarding the number of organisations involved, one obvious observation is that it tends to be less important in Nordic countries with ‘universalist’ welfare states and local authorities acting as multi-purpose organisations than in Continental-corporatist welfare states where a



multitude of social insurance funds organised along occupational lines has overlaid the division by social risks (Bolderson et al. 1997, Overbye et al. 2010, Palier 2010a: 41).

Then, on the way the state has traditionally shared responsibilities with social partners and subnational governments, the UK, as a prime example of centralised country, has established a very unified system, in which the central state is by far the dominant actor (see chapter 4). However, in Europe, it is an exception. In all other countries, we find a larger dispersion of responsibilities between the state and other non-state actors. In federal systems and Nordic countries which have historically granted much power to subnational governments, these actors have always played a considerable role in administering and even funding benefit programmes. This holds particularly for social assistance schemes, which are the responsibility of local authorities in a large number of countries<sup>3</sup>. In some Nordic countries, like Denmark, the administrative power of local authorities has even been extended to other benefit programmes (e.g. sickness and incapacity benefits). As to social partners, they have enjoyed particularly strong powers in Continental corporatist systems based on social insurance programmes financed from employers' and employees' contributions. Consequently, in these countries, the administration of social insurance has been historically performed by para-public agencies with an involvement of, if not self-regulated by, social partners (Ebbinghaus 2002, Lourdelle 2002, Palier 2010a). The administration of unemployment insurance benefits has been typically one prerogative of social partners, also in the Nordic countries.

The brief picture covered here is a crude simplification of the much more subtle cross-national variation that exists in reality. In each country, a particular mode of organisation has prevailed that typologies can hardly render faithfully. One thing that can be said, however, is that one common feature of all countries has been the allocation of the administration of individual benefit programmes or groups of institutionally similar benefit programmes<sup>4</sup> to several separate organisations. Hence, up until the 1990s, depending on the reasons for their non-employment, benefit claimants were assigned to different types of benefit schemes and were accordingly often dealt with by separate organisations. In spite of many country specificities, one can broadly distinguish between four types of public or para-public organisations that shared the provision of cash benefits for jobless people and related services in Europe:

- Unemployment benefit offices and also Public Employment Services (PES) for the job-ready unemployed;
- Social assistance offices for the long-term unemployed or socially excluded people, often administered by local authorities, and
- Social insurance institutions, either centrally, locally or self-administered, running income maintenance benefits for sick and disabled people.

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<sup>3</sup> This is also the case of Southern-European countries which have experienced a vast trend of decentralisation over the past decades (Kazepov 2010: 60-61)

<sup>4</sup> For instance, at the exception of unemployment insurance, the delivery of the remaining insurance-based income maintenance benefits like incapacity-related benefits or old-age pensions has often been gathered into one unique agency.

The reasons for this organisational fragmentation have been primarily historical and political, as the introduction of national benefit programmes usually involved incorporating pre-existing voluntary insurance funds or poor-relief schemes run by either trade unions or local governments into the new programmes (Flora and Heidenheimer 1981, Lourdelle 2002, Palier 2010a). As a consequence, social partners have still been involved more or less closely in the management of unemployment benefits in most European countries, and means-tested social assistance programmes have often remained a concern of local authorities, which historically run poor-relief schemes. The UK figures as an exception in this regard as local authorities and social partners found themselves removed from their respective responsibilities very early on in the process of building the British welfare state (Glennerster 1995, Price 2000).

But the division was also sustained by a logic of specialisation of competences and resources (Bolderson et al. 1997: 9-10). For front-line staff, generalised assistance and specialisation in certain tasks or target groups typically act as antagonist forces (Self 1977: 78-79). Given the complexity of modern welfare states, it is evident that it is hardly possible for a normal person to adequately administer various benefit schemes and at the same time offer individualised job search support. Certain tasks, often the most codified ones like the control of benefit entitlement, are then very likely to predominate over more vague, discretionary tasks (King and Rothstein 1994). The guarantee of a sufficient level of attention to discretionary tasks therefore calls for a subdivision of organisations or a differentiation of tasks within organisations.

The creation of modern Public Employment Services (PES) devoted to labour market policy in the 1960s can be viewed from that perspective. From its very origins, the provision of unemployment benefits has always involved two types of tasks: the payment of cash benefits to compensate lost earnings on the one hand, and assistance in finding new employment on the other (Alber 1981: 151). Initially, both tasks were jointly organised by labour exchanges with more or less close involvement of social partners (Weishaupt 2011: cf chap. 3). However, in the post-war years, characterised by rapid employment growth, labour shortage became one major concern, as did the time and energy spent by front-line staff in controlling benefit rights, at the expense of placement activities. Hence, the perceived need for a stronger focus on labour market services to facilitate job matching between labour supply and demand turned out to be one major reason for the dissociation of the two functions and the establishment of separate PES (King and Rothstein 1994: 304-305)<sup>5</sup>. In the 1990s, their activities include three broad types of services: job placement services including labour force recruitment for employers, job search assistance for the unemployed or other jobseekers, and finally the provision of various labour market and training programmes to improve jobseekers' skills and competences on the labour market (Lippoldt and Brodsky 2004: 212). Whereas job placement and job search assistance provided by PES were legally open to all jobseekers irrespective of their status, labour market programmes, in contrast, were generally restricted to jobseekers in receipt of unemployment benefits.

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<sup>5</sup> The desire national government had to tighten their control on job placement processes previously owned by social partners also constituted one major motivation for the creation of modern centrally steered PES (Weishaupt 2011: 81).

## **1.2. The wave of organisational reforms geared towards coordination**

From the mid-1990s, however, many European countries started to introduce reforms that addressed the fragmentation of welfare states for jobless people of working age in favour of more co-ordinated welfare state arrangements. The reforms primarily targeted the organisational dimension of this division, taking the form of mergers of existing delivery organisations or the establishment of new organisations acting as single gateways and in which separate organisations were brought together and required to cooperate in the fulfilment of their tasks. These reforms have sometimes profoundly impacted the operation of national welfare states and the broader government apparatus. In some countries, they gave rise to super-agencies employing tens of thousands people and distributing large shares of public expenditures.

Although this study focusses on organisational reforms geared towards coordination that were adopted in Europe, these reforms are not typical of Europe, but were also undertaken in several Anglo-Saxon countries. Australia, for instance, has been one pioneer country in restructuring the administration and delivery of social and employment policies, which it did in quite a radical way. In the early 1990s, the system was already relatively well integrated from a comparative perspective. Only two organisations shared the responsibility for the payment of cash benefits and provision of employment services. In 1997, upon the initiative of a Conservative coalition government recently elected into office, the integration of these two organisations took place, resulting in the establishment of a new state-run delivery agency called *Centrelink*, that served as a front door to all social and employment matters. To give an idea of the prominence of this new agency, in the early 2000s, the services delivered by *Centrelink* accounted for approximately one third of the Australian federal budget (Halligan 2004, 2007).

In Europe, the United Kingdom represents one of the earliest countries to radically reform the organisational arrangement of its welfare system for people of working age. In the 1990s, similar to what existed in Australia two core delivery organisations shared the provision of cash benefits and labour market support. This was the Benefits Agency on the one hand, and the Employment Service on the other, both of them having the status of government agencies. In 2002, these two agencies were merged together to create one unique organisation, *Jobcentre Plus*, in charge of all working-age benefit claimants. The merger was on a grand scale. It involved more than 90 000 employees and gave rise to one of the biggest government agency in the UK (The Times 2000, National Audit Office 2008). At the same time, it brought about a highly integrated delivery structure. For all people entering the welfare system, *Jobcentre Plus* is now acting as a single gateway for all benefit claims and employment-related activities.

Other more recent, but somewhat less encompassing examples of organisational reforms can be found in Denmark and France. In Denmark, integration efforts have concentrated on employment-related services for the different categories of jobseekers. Up until the 2000s, a sharp division prevailed between the systems for the insured unemployed and the ‘non-insured’ unemployed, which included the long-term unemployed and, employment insurance

still being voluntary in Denmark, those short-term unemployed who had refused to enrol in an unemployment insurance fund. Not only did the two categories of unemployed people receive different cash benefits (unemployment insurance on the one hand and social assistance on the other) but they had access to quite different labour market programmes and support. Whereas the insured unemployed could benefit from the whole catalogue of services offered by the PES, the non-insured unemployed in receipt of social assistance, who would have profited most from the most effective employment services, were paradoxically excluded from labour market programmes of the PES. In 2009, reorganisation efforts resulted in all labour market services being operated by one unique organisation, the so-called *Jobcentres*, which were placed under the political and operational responsibility of local authorities (Bredgaard 2011, Goul Andersen 2011).

In France, the establishment of *Pôle Emploi* resulted from the integration of the functions of unemployment benefit payments and the provision of employment-related services. Officially coming into force in December 2008 after only one year of preparatory works, *Pôle Emploi* merged the state-run PES and the social-partner run unemployment benefit agency (Assedic). Since then, *Pôle Emploi* serves as a unique state-run agency for the provision of unemployment insurance and labour market services for all categories of jobseekers, and not just the unemployed as was previously the case (Clegg 2011, Béraud and Eydoux 2012). As stated by the government, the objective was threefold: It was to simplify administrative procedures for jobseekers in receipt of unemployment insurance, to improve the quality and frequency of employment support, and thereby achieve greater effectiveness of activation policies (Portail du Gouvernement 2008). In 2010, *Pôle Emploi* employed nearly 50 000 staff (<http://www.pole-emploi.fr>, consulted on 19-10-2011), and provide services to approximately 4.5 million of jobseekers (STMT, *Pôle Emploi*: DARES).

These are only some of the well-known examples of organisational reforms that took place over the past 15 years. As these few examples show, the target of all these reforms has typically been the (para-) public organisations that administer cash benefits and related services. What is more, they have primarily taken place at the front-line level, affecting organisations in direct contact with benefit claimants (Askim et al. 2011). But they have more rarely explicitly affected substantive benefit programmes<sup>6</sup>. In this respect, the German Hartz IV reform stands out as an exception. The reform, promulgated under the Schröder government, came into force in 2005. One of its main objectives was to replace unemployment and social assistance for the long-term unemployed by one single basic income support scheme for all those in need but fit for work. The target beneficiaries of the newly created 'Unemployment Benefit II' therefore not only include the unemployed, but also people in low paid work or people caring for a child under the age of three (Clasen and Goerne 2011: 800). Organisationally, the creation of the new unemployment benefit scheme went along with the creation of a new joint agency where PES and social assistance offices

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<sup>6</sup> This does however not mean that the boundaries between the various benefit programmes for jobless people of working-age people have not changed during the same period of time. In their book on the redefinition of the risk of unemployment, Clasen and Clegg (2011: 335) note that in several countries, substantive reforms over the past two decades have de facto resulted in a greater homogenisation of unemployment benefit programmes. However, except in Germany and the UK, this achievement has rarely resulted from explicit moves in this direction.

cooperate (Eichhorst et al. 2008a, Konle-Seidl 2008). Since then, the new scheme has become one of the largest benefit scheme for people of working age, with approximately five millions of people receiving benefits on this new scheme each year (Dingeldey 2011: 68). Unemployment insurance and social assistance have not completely disappeared, but have become somewhat marginal, targeted at either the short-term unemployed or a small minority of inactive people deemed incapable of working.

More recently, the Universal Credit, which is to be implemented in the UK in 2013, is another example of a reform that explicitly aims to integrate the range of existing transfer programmes at the substantive level. From October 2013, Universal Credit will replace six of the main means-tested benefits and tax credits for people looking for work or subsisting on low incomes. The main official goals of the Coalition government are to simplify the system for claimants and make it cheaper to administer, but also to introduce more flexibility in benefit payments so as to make sure that work pays for everybody (DWP 2013).

Notwithstanding these few examples, most reforms have been concentrated at the level of the organisational provision of benefits and services for jobless people. They all sought to reshuffle the existing boundaries between the responsible public organisations, even if the particular organisations involved by these reforms varied from one country to another. In some countries like the UK, Australia or France, benefit offices were joined with PES organisations. In other countries like Denmark, they were about the creation of integrated employment services for various categories of jobless people.

These reforms were in many respects different, but they were all justified on similar grounds, which were to create more coordinated services for all jobless people, facilitate their access to services, and offer them individualised back-to-work support that went beyond considerations of benefit status. And finally, a last similarity can be seen in their implications for the organisational arrangements of welfare states. Indeed, all reforms led to a significant restructuring of national welfare states' organisational landscape. The British and Australian reforms are particularly striking as they fostered the establishment of super governmental agencies in charge of all social and employment matters for working-age benefit claimants. But, even more crucially, those reforms often resulted in a radical rescaling of competences and responsibilities between the various actors involved. For instance, the Danish and French reforms have substantially undermined the historical position of social partners in unemployment and labour market policies. More generally speaking, some of these organisational reforms have resulted in a decentralisation of social and employment policies (France and to some extent Denmark), and others have brought about a centralisation of competences (Germany) (Bredgaard and Larsen 2008, Reiter 2011, van Berkel et al. 2011a).

The spread of organisational reforms towards integrated provision of social and employment policies has been such that one can speak of a wave of coordination reforms across Europe and the OECD. As van Berkel and Borghi (van Berkel and Borghi 2008: 333) argue:

*“It is no exaggeration to state that a ‘wave’ of welfare reforms aimed at substantive changes in social policies has been followed by a second reform wave aimed at reorganising the institutional structures through which service provision takes place”.*

The notion of wave seems particularly appropriate in the sense that these reforms have not been specific to a particular type of country, but have taken place across a large spectrum of diverse countries. They were not only adopted by countries traditionally conferred with strong reform capacities like the Westminster-model countries, but also by Continental countries like Germany or France with welfare states long depicted as highly resistant to change. In addition, organisational reforms were embraced by governments of all political orientations. In Australia, France and Denmark, these were centre-right governments, whereas such reforms were the achievements of Third-Way left-wing government in the UK and Germany.

### **1.3. The mainstream view: Tackling fragmentation for effective activation policies and efficient services**

How can one explain the wave of service integration initiatives to appear at the turn of the 21<sup>st</sup> century? Advocates of organisational reforms and academic scholars have usually advanced two types of explanations, which tend to view integration efforts as a rational adaptation of organisational arrangements to new policy goals and failures induced by highly fragmented structures of welfare states (Christensen et al. 2009, Minas 2009, Overbye et al. 2010). The first explanatory argument has its roots in the changes that occurred in substantive social and employment policies in the past 20 years. More specifically, it sees the reason for the shift to integrated organisational systems as lying in the development of activation policies to help benefit recipients back into work, including those on social assistance and incapacity benefits. As it will be further developed in this section, this first mainstream conception mostly analyses the turn to greater coordinated organisation as a direct reaction to the failure of fragmented structures to fulfil the transversal goals of activation policies and push more people into the labour market.

In contrast, the second strand of argument considers integration efforts within welfare states as part of a broader trend towards the coordination of the public sector. Here, coordination is mainly justified as a reaction to the negative effects of earlier reforms towards specialisation and performance management inspired by the New Public Management (hereafter NPM) doctrine (cf for instance Christensen and Laegreid 2007b: 1059). Integration efforts are thus meant to provide a remedy against too much specialisation, inefficient duplications of services and insufficient responsiveness to client needs (Moseley 2009). According to this argument, coordination is therefore primarily a matter of ‘good government’ (Minas 2009), whose benefits are expected at two levels: greater efficiency of the government machinery and better use of public money on the one hand, and a greater customer-orientation of public services on the other, notably by simplifying access to services and providing claimants with more holistic individual support (Pollitt 2003, Christensen and Laegreid 2007b, Askim et al. 2011).

Although these two strands of explanations have their sources in distinct problems and developments, both agree on one fundamental aspect. They tend to view the adoption of service integration reforms as primarily driven by functional and managerial motivations to reduce the failures and dysfunctions of highly fragmented organisational structures and to make the public sector more efficient and responsive to users’ needs and demands (Moseley

2009: 6). This functional-managerial conception of organisational reforms towards coordination has been first and foremost embraced by national governments and supranational organisations like the OECD and the EU in their attempts to promote integration reforms. But it also largely dominates the welfare state literature that examined the issue. For instance, Clegg (2007: 611-612) or Hemerijck and Eichhorst (2009) describe administrative integration in unemployment protection systems as the result of a long process of cumulative changes, whereby failures of previous labour shedding strategies to reduce open unemployment in the 1980s led policy-makers to turn to activation policies, which in turn created the 'need and conditions' for administrative integration. Similarly, in a recent article, van Berkel (2010: 19) made the argument that substantive/formal policy changes have triggered organisational policy reforms, "*in the sense that the former create a need for the latter: formal policy reforms have created a pressure to reform operational policies.*"

### ***Activation policies and integration initiatives***

According to the first type of explanation usually advanced, the wave of organisational reforms towards integration is inherently related to the developments of welfare states at the substantive level, and more precisely, to the paradigm shift that took place in most European and OECD countries from passive income protection to an active employment promotion as the overarching goal of social security systems for working-age people. In the welfare state literature, this is what is frequently labelled the 'activation turn' (Bonoli 2012a: 196).

Since their creation, income maintenance schemes for jobless people of working age have always included some elements of labour market reintegration. The most obvious example here is unemployment benefit schemes, which have always offered the possibility to receive job search assistance or participate in training or public employment programmes. In practice, however, up until the 1990s, their recourse was generally sparse, and even when training or public employment measures were implemented, this was less with a view to facilitate labour market re-entry than for social integration purposes (Clasen and Clegg 2011: 3, Bonoli 2012a: 188).

Since the mid-1990s, faced with prolonged mass unemployment, growing caseloads in social assistance and incapacity benefits and the complexity of problems experienced by benefit claimants, governments gradually came to re-evaluate the balance between both missions in favour of policies and instruments that prioritise the activation of jobless people and their return to employment (Bonoli 2012a: 196). Accordingly, the role and reach of active labour market programmes developed substantially. New instruments were introduced or further developed that can, broadly speaking, be divided into two categories<sup>7</sup>. On the one hand, these were 'enabling' instruments designed to improve the employability of jobseekers and make their hiring more attractive in employers' eyes. Typically, they included vocational training programmes, subsidised employment or wage subsidies for employers that were willing to hire unemployed people. On the other hand, these were 'demanding' measures that sought to strengthen the conditions of benefit entitlement, such as stricter job search requirements,

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<sup>7</sup> Very recently, some authors have suggested that a subtler disaggregation of activation measures would better capture variations over time and across countries (van Berkel 2010, Bonoli 2012a, Vlandas 2013).

mandatory participation in labour market programmes and the use of sanctions (Torfing 1999, Barbier and Ludwig-Mayerhofer 2004, Eichhorst et al. 2008b: 6, Eichhorst and Konle-Seidl 2008, Bonoli 2012a: 183). Though combined differently in the different countries, these two categories of activation instruments have tended to develop *in tandem*. In most European countries, at the same time as labour market programmes to enhance employability were being expanded (more or less depending on the countries), benefit entitlement was made conditional upon stricter job search requirements or upon mandatory participation in labour market programmes if required (Torfing 1999, Dingeldey 2007, Eichhorst et al. 2008b, Bonoli 2012a).

The activation turn since the mid-1990s, which was gradually embraced by most European countries, is commonly seen as the one major driving force for the subsequent turn to the integration of organisational structures. Whereas the organisational division made some sense when the goal of delivery organisations was to ensure entitlement to income protection schemes, this was no longer the case in a context of employment promotion praised as a new shared policy goal and activation policies progressively extended to all categories of jobless benefit claimants (Overbye et al. 2010, van Berkel 2010). In this context, advocates of activation underlined a number of problems induced by the organisational division of social security systems for working-age jobless people and that constituted as many barriers to the effective implementation of activation policies.

Among them, one can mention the inadequacy of the administrative separation of the tasks of unemployment benefit payment and employment services in a context where entitlement to unemployment benefits is increasingly dependent upon individual efforts to improve their employability (van Berkel 2010). This organisational separation of the two tasks meant that placement staff, who are the best placed to judge the job-search efforts of benefit recipients, are not directly responsible for enforcing this requirement. For instance, in 1997, in a report exploring new avenues for increasing the effectiveness of activation policies, the OECD argued for a closer co-ordination of employment services and benefit payment in order to monitor individual efforts more effectively and therefore fulfil one of the key preconditions for benefit entitlement (OECD 1997: 6).

Second, in Nordic and federalist countries, where municipalities have retained a large number of responsibilities in the administration of social assistance, the emergence of parallel ‘dual activation systems’ operated by the PES for the unemployed on the one hand, and municipalities for social assistance benefit recipients on the other<sup>8</sup>, have equally contributed a great deal to the perception of a need for greater coordination (Ditch and Roberts 2002, McQuaid et al. 2007, Minas 2009). Not only did such dual systems of activation prove inefficient duplications of efforts in regard to the cooperation with employers in placement activities, but they also made little sense for some benefit claimants forced to register with several organisations in order to receive the services and support needed.

Third, and related to the co-existence of dual activation systems, advocates of integration initiatives have highlighted problems of unequal access of benefit claimants to the most

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<sup>8</sup> In some countries like Switzerland where disability benefits are administered by a third organisation, one could even talk of triple systems of activation (Champion 2011, see also chapter 7)



effective employment-related programmes and support. In this respect, the organisational division was found to be particularly detrimental for those furthest from the labour market, such as social assistance or disability benefit claimants, who were in need of most attention and resources (Commission of the European Communities 1998). Historically, labour market competences were concentrated in the hands of PES. PES were also the organisations that had at their disposal the most developed portfolios of active labour market programmes (ALMPs), yet most of the time restricted to jobseekers in receipt of unemployment benefits. In contrast, in the 1990s, organisations responsible for social assistance or incapacity benefits generally lacked expertise in labour market issues, or, as in the case of small municipalities in charge of social assistance, sufficient resources to implement a wide array of active labour market programmes. As a result, portfolios of active programmes available for social assistance claimants were usually less developed than in the PES, often limited to ‘social integration’ measures or public employment programmes offering activities only weakly related to the first labour market (Hanesch 1999, Voges et al. 2001, Johansson and Hvinden 2007: 337, Minas 2009). This lack of labour market expertise and instruments for social assistance and other inactive benefit claimants is commonly interpreted as one major reason for the switch to integrated employment services (Overbye et al. 2010, van Berkel 2010). As we will see later in this study, the perceived inability of the Benefits Agency in the UK, the agency in charge of providing for inactive benefit claimants, to implement the New Deal labour market programmes was one major reason given by the New Labour government to justify the merger between the Benefits Agency and the Employment Services (see chapter 4). Similarly, in countries like Denmark or Germany where secondary activation systems developed within social assistance, the creation of integrated organisational structures was generally presented as a means to facilitate the access of social assistance recipients to all types of active labour market programmes that they might need.

In sum, the rhetoric around the creation of integrated delivery organisations in relationship with the development of activation policies has generally been one that emphasised the need to tackle the deficiencies of fragmented welfare state structures and adjust them in a way that could better sustain activation policies (cf OECD 1997, Commission of the European Communities 1998, Ditch and Roberts 2002, Borghi and Van Berkel 2007, Overbye et al. 2010). From that perspective, the ultimate objective of coordination has been to raise overall employment levels. The argument here is three-fold: by improving the services offered to the unemployed and other categories of benefit recipients, coordination initiatives would then increase claimants’ chance of labour market re-entry, which in turn would have consequences on overall labour market participation. But coordination was also connected to several intermediary objectives (Borghi and Van Berkel 2007: 90): To reduce overlaps in missions and inefficient duplication of efforts, especially in regard to contact with employers; to strengthen the incentives for benefit claimants to actively engage in their labour market reintegration; and to make access to labour market services dependent on individual needs rather than benefit status.

### ***Negative effects of early NPM-driven reforms***

Another important account considers the rise of integration efforts within welfare states as a reaction to the negative effects of earlier New Public Management's emphasis on specialisation and performance-based management of organisations. From this point of view, integration efforts observed within the welfare state constitute an illustration of a broader reform trend seeking more coordination in the public sector as a whole, and which some public administration scholars have termed the 'joined-up' or 'whole-of government' turn, in reference to the slogans used by some governments to refer to these comprehensive reform agendas in the public sector (Christensen et al. 2009).

According to this argument, the renewed emphasis on coordination is a product of two decades of NPM reforms that, during the 1980s and first period of 1990s, aggravated the fragmentation and 'siloisation' of public services. In particular, two types of reforms typical of NPM are commonly pointed out as having heightened coordination problems. This is first a specialisation process that created single-purpose organisations with a limited number of tasks, and second, but related, the introduction of performance management tools to improve the performance of individual organisations (Christensen and Laegreid 2007a, Bouckaert et al. 2010).

In the welfare state area, clear examples of the horizontal specialisation of organisations that were adopted in direct connection with NPM-reforms and that resulted in the partitioning of organisations into a multitude of single-purpose organisations are relatively difficult to find. In most European countries, the number of public or para-public organisations involved in the delivery of social and employment policies have remained relatively stable since the 1960s. However, many countries introduced a vertical specialisation of tasks between the functions of policy-making and implementation that were intended to increase the autonomy of public delivery agencies from their government departments (Fimreite and Laegreid 2005: 7, Wiggan 2007 on the British case more specifically)

Along with this process of autonomization, measures were imposed by central governments that sought to reintroduce some form of indirect central control through the formulation of precise policy goals and the specification of annual performance targets for delivery organisations to fulfil under penalty of budgetary sanction the following year (Overbye et al. 2010: 406). European PES were particularly affected by the use of 'management by objectives' techniques based on the annual setting of policy goals and performance assessment (Mosley et al. 2001, Sol and Westerveld 2005). In the 1990s, PES were given increased freedom in the design and allocation of active labour market programmes, but at the same time subjected to budget cuts in the case of poor results regarding participation in active labour market programmes or job placement rates. Like in France or the Netherlands, performance management reforms have sometimes also been imposed on local authorities with respect to the provision of social assistance, often with the aim of providing them with incentives to strengthen their activation efforts (Damon and Marinacce 2005, Van Berkel 2006).

Specialisation and performance management tools may have enhanced expertise in specific tasks and the performance of individual organisations. Yet, as prominent NPM scholars have

stressed, by encouraging public organisations to focus on a few tasks and act in the interest of their own narrow institutional goals, such reforms have also created new coordination problems and have seriously undermined the coherence and efficacy of public action (Peters 1998, Christensen and Laegreid 2007b, Bouckaert et al. 2010, Askim et al. 2011).

One major negative side-effect has been the low incentives for public organisations to engage in collaborative efforts with other organisations to tackle ‘wicked’ problems that transcend organisational boundaries like it is the case of social exclusion and long-term unemployment. For organisations confronted with annual performance reviews based on few quantitative policy targets, ‘coordination is most often seen as a real cost rather than a potential benefit’ (Bouckaert et al. 2010: 29-30). A second major problem induced or aggravated by ‘silo mentalities’ (Christensen et al. 2007: 405) is seen in the propensity for duplication of programmes and procedures, or, conversely, ‘grey area’ zones in which no services are available for some categories of clients (Bouckaert et al. 2010: 28-29, Overbye et al. 2010: 390). In social and employment policies, typical examples of such problems are the obligation for some jobless people to visit a number of different offices in order to obtain help with income support, employment, and other social services, or, on the contrary, their exclusion from the most effective active labour market programmes simply because they are not entitled to right benefit scheme. Such problems not only affect clients negatively, they are also sources of inefficient cost spending.

Finally, another negative side-effect of simple performance standards that has often been presented as a decisive motivation for integration initiatives is the incentives produced by simple performance management tools for ‘gaming’ practices to achieve better results on their measured performance goals (Overbye et al. 2010: 406). A well-known example of such a practice is ‘creaming’ strategies by PES, which consist of prioritising labour market efforts on job-ready jobseekers while ignoring the hard-to-place jobseekers who require more help (Struyven and Steurs 2005, Overbye et al. 2010: 406-407). A second type of gaming practices relates to cost shifting between organisations funded by separate budget funds. Typically, such practices have been observed in municipalities establishing contributory public employment programmes lasting long enough for social assistance recipients to have their entitlement to unemployment insurance restored (e.g. Bertozzi et al. 2008, Hassel and Schiller 2010a).

The accumulation of the inability of organisations to transcend their own interests, and the inefficient and little user-friendly duplication of services are commonly said to have created a need for more coordination (Bouckaert et al. 2010: 5). They, in turn, materialised in global initiatives like the joined-up government agenda in the UK, and in the field of social and employment policies, in the wave of service integration described earlier in this chapter. However, this does not mean that the NPM emphasis on performance management and specialisation has been totally abandoned. Rather, as Askim (2011: 2) notes on the emergence of one-stop-shops, typical NPM reforms promoting specialisation and performance management have continued to exist alongside coordination reforms. This makes it difficult to say whether coordination reforms indicate a reversion or an accommodation of NPM. Furthermore, adding more confusion to a reading of the mainstream chronological account of coordination, it is worth noting that service integration, as an organizing principle for the

delivery of services, is not a new phenomenon. In the United States, for example, initiatives of service integration in social services took off in the 1960s and 1970s, so that it can be said that the observed trend of service integration in the 1990s is more a resurgence of an old issue than a new one (Agranoff 1991, Waldfogel 1997). What has changed, however, is the more competitive environment and the more complex nature of issues that put greater pressure on governments to make the public sector more efficient and effective (Peters 1998).

#### **1.4. From the functionalist, managerial to the political view of organisational reforms aimed at coordination**

Sustaining a more effective implementation of activation policies and achieving greater efficiency and responsiveness to individual needs in social and employment policies have certainly constituted one major set of motivations for governments to embark on service integration initiatives. Intuitively, these arguments are appealing to all those interested in better organised and rational systems, and few would contest the need to improve government performance and ensure greater administrative compliance with policy goals. This explains why such arguments are so widely rehearsed and believed (Hambrick and Rog 2000, Pollitt and Bouckaert 2011: 36). On the other hand, several limitations with such mainstream interpretations suggest that other factors and motivations must have been operating in the observed wave of service integration reforms in many different European countries.

First, one cannot deny that initiatives to better coordinate the provision of social and employment policies would probably have never become a major issue without the reorientation of welfare states towards activation and employment promotion. However, empirically, there is only limited evidence that the problems induced by the highly fragmented structures have really been as dramatic as the advocates of service integration have alleged (Dupuis 2007: 5). As will be argued in the following theoretical chapter in more detail, a truly objective evaluation of the scope of fragmentation problems and their negative effects on the transition rates from welfare to work is not an easy task. Unlike economic problems, fragmentation-induced problems are difficult to quantify. In addition, as Overbye notes on the challenges of coordination in welfare states, not everyone would agree that inter-organisational coordination is a problem that someone should 'solve' (Overbye et al. 2010: 402). As we have seen earlier, consideration of the virtues and vices of specialisation and coordination have considerably changed over time. While specialisation of tasks and functions has long been praised as a virtue and necessity in complex societies, it is now decried as a problem that requires action. Currently, the two visions of the values of coordination and specialisation continue to co-exist. All this indicates that the identification of welfare state fragmentation as a policy problem is in fact based on hypotheses and perceptions rather than on certainty and evidence-based knowledge.

Second, it is uncertain that structural reorganisations like service integration, once achieved, deliver the expected promises in terms of effectiveness, efficiency and responsiveness to clients. Already thirty years ago, some authors had claimed that whereas such goals are the most often claimed, they are also the least often achieved (Salamon 1981, March and Olson

1983: 479). Because of the institutional stickiness of organisations and the deep consequences of integration on the nature of front-line jobs, radical organisational changes often require a long time before they get implemented successfully and show their first impacts. In fact, getting two or more organisations to work together may even create more problems of coordination and communication than it solves, especially in the first years of collaboration (Merrien 1999: 100, Pollitt and Bouckaert 2011: 42). Alongside problems of organisational adaptations that may compromise the realisation of objectives, there are costs associated with the adoption of radical integration reforms like mergers. These are first direct, short-term costs that are generated by the reallocation of previous organisations into new premises and the development of common information technologies and working procedures. But there may also be long-term costs. Taking the example of municipalities' mergers, Peters (2010: 142) notes that, as the size of organisational units increases, there is a tendency for higher overhead expenditures to occur, that tends to counterbalance economies of scales realised by elimination of overlapping services. All these problems and costs constitute mediating variables that may seriously undermine the expected gains to be made from service integration in terms of efficiency and client responsiveness. The same could be said of their impact on labour market participation, which has been a central objective of integrating the provision of employment and social policies.

All this taken together, for governments genuinely interested in improving government and policy performances, there is never any firm guarantee that radical organisational reforms like service integration will effectively deliver the expected results. In France for example, three years after its implementation, the expected virtuous effects of *Pôle Emploi* have still not materialised, quite the opposite. The intricate implementation of a truly individualised support by multifunctional advisers has seriously compromised the quality of employment support, already seriously challenged by the dramatic increase of the number of jobseekers due to the financial crisis (Béraud and Eydoux 2012). Hence, the history of organisational reforms tells us that while there may be many efficiency and functionalist arguments in favour of organisational reforms, these are counterbalanced by at least as many opposing arguments.

Thirdly, and perhaps most importantly, conventional functionalist and managerial arguments often overlook the eminent political nature of organisational reforms like service integrations or the creation of joint jobcentres. Because they (sometimes profoundly) redefine the distribution of responsibilities between existing organisations, integration initiatives inevitably advance certain interests at the expenses of others (Seidman 1966: 330). And because most organisations hold much of their political power and *raison d'être* precisely as a result of their institutional responsibilities, rare will be those that will easily give up their responsibilities. Under such circumstances, it is not surprising that the integration of the provision of employment and social policies triggered enormous political struggles everywhere, including in countries like the UK where they have primarily targeted governmental agencies. In Germany, where the Hartz IV reform cumulated organisational and substantive changes, the red-green government not only came to deal with strong political resistance from all major parties, including within its own ranks, but also massive public protests, which eventually led to its political defeat.

The combination of these factors gives a much more complex picture of organisational reforms than what is commonly assumed and believed. Combined, the rather subjective nature of problems induced by organisational fragmentation and the high risk of failure and resistance bring the view of radical organisational reforms being mainly undertaken in order to solve fragmentation problems and achieve greater efficiency of public services into question. Even if one cannot deny that they have been a good part of the story, and even if one cannot expect that reform-minded governments anticipate all the consequences and obstacles that reforms may produce (Margetts et al. 2010), the question still arises as to whether such arguments are sufficient to explain why so many governments came to invest much energy in pushing for the adoption of such reforms. The same question haunted David Blunkett, the then Education and Employment Secretary of State in charge of designing and setting up Jobcentre Plus. Later on, he sighs in his memoirs:

*“I ask myself why on earth did I spend so much political energy and personal goodwill on the idea of a major change in the machinery of government”* (Blunkett 2006: 226)

Finally, empirically, there is very little evidence to support the idea that organisational reforms are driven solely by problem solving, or managerial, objectives. As the case studies will show, in all countries where organisational reforms were eventually adopted, the process began with pilot projects aimed at testing a variety of coordinated services, often including simple collaboration procedures and fully integrated services, and their viability to deliver activation policies. Designed to run for a few years, these pilots were systematically presented as instruments to help subsequent, evidence-based decision-making. Hence, at first sight, they seem to fit well with a rational problem-solving approach to organisational reforms. Yet, paradoxically, in all three countries, the final decision in favour of radical integration reforms was made shortly after the launch of the pilots projects and long before results became available (see section 8.2).

Given such a very short time to collect and compare evidence of the effects of the various coordination models, one can safely assume that other considerations and motivations than just problem solving have guided governments’ decisions to engage in radical organisational restructuring.

The motivations and factors that persuaded governments of many different countries to embark and then push for radical integration reforms despite all their uncertainties and obstacles is the key concern of this study. Based on this, one of the central assumptions that will underpin it is that service integration initiatives are best understood as the result of a combination of motivations and goals. The goal of overcoming problems related to the fragmentation of welfare states for a more effective implementation of activation policies is one of them. In addition, this study reconsiders the role played by political and institutional motivations in the adoption of organisational reforms within social and employment policies. While less frequently explicitly stated than functionalist or managerial arguments, the opportunity to alter the distribution of social and employment responsibilities, or to simply demonstrate politically their capacity for change, is likely to be of equally great importance for governments. Understanding the adoption of organisational reforms aimed at integration

therefore requires theories able to account for more complex motivations than rational, problem solving approaches.

## **2. THEORETICAL FRAMEWORK**

The chapter seeks to develop a theoretical framework able to account for the motivations that led many different governments to initiate organisational reforms directed at an integrated system of employment and social benefits provision, in the face of numerous uncertainties and political obstacles. Research on comparative welfare state change over the past 30 years now provides a rich corpus of literature examining the determinants of policy change. It is now common to distinguish between various distinct theories of welfare state change, of which the functionalist, neo-institutionalist and ideational approaches are among the most prominent. Although each of them seeks to explain slightly different patterns of changes (e.g. welfare state convergence versus divergence, stability versus radical policy changes) and take different views on the causal factors at stake, all of them have at some point sought to explain the drivers, motives or opportunities for ‘radical’ welfare state changes. This is why it seems reasonable to first start with this body of literature to see to what extent it helps us understand the reasons that led various governments to ignore the uncertainties and obstacles of organisational reforms and push them to the top of their political agendas.

This theoretical chapter provides an overview and discussion of three classical approaches to reforms. We begin with the most relevant to this study, namely the functionalist and ideational approaches, and end with a review of the institutional approach. Both functionalist and ideational theories have frequently been used to account for integration efforts in employment and social policy setting. While the former sees the reasons for such reforms in terms of the pressures that stem from fragmentation problems, the latter mainly focuses on instances of learning and diffusion as vectors of new ideas and policy change.

This first part shows that all three approaches go a long way in explaining the adoption of organisational reforms in social and employment services. However, it also highlights several weaknesses. For instance, because they place great emphasis on ‘structural’ factors (Starke 2008b, Capano and Howlett 2009), the functionalist and institutionalist approaches have trouble pinpointing the micro-level motivations and considerations of political actors underpinning their policy decisions. In contrast, the ideational approach puts human agency and entrepreneurship at the centre of analysis. In this sense, the ideational approach seems better able to account for governments’ motivations to engage in organisational reforms. However, as this chapter will show, one of ideational theories’ main pitfalls is its epistemological conception of political action as driven either by changing causal beliefs or problem-solving considerations. Only recently has this approach attempted to integrate actors’ interests and motivations.

After discussing these classical theories of welfare state change, I then turn to another approach that specifically addresses the question of why policy-makers choose to focus their attention on some policy solutions, while ignoring others. This is the agenda-setting theory, of which one seminal author has been Kingdon and his multiple stream model (1984, 1995). The multiple-stream model has rarely been applied to welfare state research. Yet, it shares some important similarities with ideational approaches, the most notable one being the importance given to policy entrepreneurs, whose role in perceiving and using opportunities is viewed as



an essential element in the agenda setting of certain policy solutions. One of the strengths of Kingdon's model lies in the recognition that the rise of particular policy solutions on the political agenda is multidimensional and contingent upon the fulfilment of various conditions (Campbell 2002). Kingdon's model takes an opposite view of theories of decision-making that take their starting point in problems that need to be addressed. Instead, it claims that not all policy problems necessarily call for some solutions. On the contrary, it is only when a solution exists, that can be linked to an existing problem, and political conditions are favourable that a problem is likely to attract serious political attention and the solution in question to get on the political agenda. The combination of these three conditions is therefore one fundamental requirement for the choice of a particular policy solution. For this reason, it is argued that Kingdon's agenda-setting model provides a fruitful starting point for understanding governments' choice to engage in organisational reforms aiming to integrate the provision of social and employment policies.

Taking inspiration from this theoretical approach, the final part of this chapter elaborates a theoretical model for understanding the adoption of organisational reforms. Differing from Kingdon's model, it places particularly strong emphasis on the various types of objectives that political parties seek to pursue when in government and the various goals that can be achieved through organisational reforms. It therefore argues that it is not simply the combination of several arenas that can contribute to the promotion of a policy idea, but also the opportunity to achieve several goals with one policy reform that make it attractive to the point where a policy reform's inherent uncertainties and obstacles are ignored.

Before coming to this issue, the following sections examine the contributions and limits of classical approaches of welfare state change in explaining the adoption of organisational reforms that seek integration of the delivery of benefit programmes and employment services. Besides the three classical theoretical approaches, it is now common to further distinguish between theories that seek to explain welfare state expansion and theories of retrenchment. This distinction was pioneered by Paul Pierson, who famously argued in the 1990s that theories of the 'old politics' of expansion were not able to account for the phenomenal constraints to retrenchment initiatives in austerity times (Pierson 1996, 2001b, Starke 2006). Yet, since organisational reforms towards integrated social security systems for jobless people are neither completely about expansion nor retrenchment, but rather belong to a third type of mixed reforms which can be broadly referred to as 'recalibration' (Pierson 2001a, Ferrera and Hemerijck 2003, Hemerijck 2013), the following theoretical discussion crosses both literature strands.

### **2.1. The functionalist approach: problematic cause and effect relationships**

Advocates of the functionalist approach do not look explicitly at political actors' motivations and policy choices, but basically argue that what prompts them to undertake reforms is the accumulation of problems and pressures arising from societal and economic developments. Hence, from this perspective, high problem loads associated with societal and economic

changes are essentially what dictate policy choices; these then necessitate institutional reform and adaptation of the welfare state. Since many studies on the switch to integrated provision of employment and social policies have implicitly followed a functionalist reasoning, understanding these reforms as a somewhat rational reaction to fragmentation problems, the functionalist approach is perhaps the most obvious one to start with. This section therefore explores in more detail the extent to which the functionalist approach may explain the adoption of organisational reforms to integrate services in many European countries.

The functionalist approach was initially developed to account for the origins and expansion of welfare states in industrial societies. Accordingly, the development of welfare states was primarily understood as a response to the pressures and problems generated by industrialisation and modernisation (Wilensky 1975, Flora and Heidenheimer 1981). For Wilensky, the emergence and convergence of welfare states is clearly ascribed to economic growth and its demographic correlates in terms of population aging and declining birth rates. In his view, economic development was the root cause for the establishment of similar social security programmes, and all other ideological or political factors collapsed under its weight (Wilensky 1975: xiii). Similarly, Flora and Alber (1981: 41-43) see the main driving forces for the expansion of welfare states as the social problems generated by industrialisation and urbanisation. Compared to Wilensky, their approach is more nuanced, as they recognise some freedom of action for governments in the face of pressures and also highlight the positive impact that social and political mobilisation can have. However, here, social and political mobilisation is still predominantly viewed under the functionalist ‘problem pressure’ prism, as it is still regarded as a consequence of the emerging ‘social question’ and examined by way of the social pressures it exerts on governments.

More recently, the challenges posed by post-industrial societies have contributed to a renewed interest in functionalist explanations that link recent welfare state developments to global trends such as globalisation, deindustrialisation, changing work and family patterns, etc. Many scholars have thus tried to explain the ubiquitous pressure to reduce social spending as caused by intensified international economic competition or by domestic factors such as low economic growth, high unemployment or population aging (for a discussion of these factors, see Schwartz 2001). Other authors have analysed the transition to post-industrialisation from the point of view of the ‘new social risks’ it generated, such as employment instability, long-term unemployment, or work/family life balance. In contrast to the literature on globalisation and domestic pressures, the prediction of authors writing on new social risks is however much more positive in regard to the impact on welfare states. In their view, by creating the need for governments to introduce new policies to manage and alleviate new social risks, they also set the conditions for a modernisation of welfare states (Taylor-Gooby 2004: 7, Armingeon and Bonoli 2006).

The recent resurgence of functionalist arguments has not prevented functionalist understandings from coming under heavy criticism over the years. In particular, critics have emphasised the inability of functionalist arguments, which predict comparable responses to similar socio-economic pressures, to explain the persistence of important cross-national variations in welfare state developments. For instance, Esping-Andersen’s seminal work on the three worlds of welfare capitalism was built around the argument that economic forces

could not account for the large differences existing between social democratic, liberal or conservative welfare states (Esping-Andersen 1990). Similarly, over the past decade, a large body of literature has shown that similar budget pressures and post-industrial social risks have not translated into the same patterns of reforms across countries and have not led to social spending shrinking everywhere (Schwartz 2001: 36, Starke 2008a). In fact, what all these criticisms of a pure functionalist approach have in common is their attack on the underlying assumption of a direct cause-effect relationship between problems and policy reforms, which ignores the mediating role of institutional arrangements and political actors in transforming socio-economic changes into problems and effective policies (van Kersbergen 1995, Pierson 2001b: 3-4, Zutavern and Kohli 2010). As they suggest, only closer attention to the 'motives, opportunities and methods' (Schwartz 2001) for policy change can help us understand the various responses and effects of broadly uniform pressures.

Despite these fundamental limitations, the approach still remains quite influential. Nowadays, most authors acknowledge a 'loose form of functionalism' (Clasen and Clegg 2011: 341) and rare are those who completely discard the pervasive character of budget strain on welfare state reforms. In this respect, in his most recent publication, Hemerijck (2013: 40-47) makes a plea for what he calls an 'open institutionalist'<sup>9</sup> approach that should allow for a more sensitive comprehension of the responsiveness of policy actors and institutions to adaptive challenges.

In addition, the approach regularly attracts renewed interest in periods of economic crises. As an emblematic example, the 2008 financial and economic crisis happened to give rise to a large number of studies that assessed its short-term impact on social and labour market policies (Castles 2010, Chung and Thewissen 2011, Starke et al. 2011). Generally speaking, the crisis literature shares the reasoning that, because they create a sense of urgency among policy-makers, crisis situations such as economic crises or sharp increases in unemployment over a short period of time are crucial drivers of reforms (Starke 2008b). However, it also points out that economic crises do not predetermine the type and precise content of policy responses. Instead, in the field of labour market policies, they all found a great diversity of responses and strategies to rapidly rising unemployment, ranging from benefit cutbacks, laissez-faire strategies, or expansion of benefits or active labour market policies. Moreover, even if major reforms are often preceded by crisis situations, there are some cases where crisis situations did not stimulate any major policy reforms (Hemerijck and Visser 2003, Kuipers 2006, Starke 2008b). Finally, the precise role of economic crises is always questionable. Is the perceived need to cope with the crisis really the only reason why policy-makers undertake reforms? Or is the crisis used as a 'window of opportunity' to impose reforms that were already on the agenda but until then were not considered politically feasible (Kingdon 1984, Green-Pedersen 2002b, Timonen 2003: 51)?

On the whole, the large body of critical empirical studies and the crisis literature largely invalidates the argument of a determinist and uniform impact of socio-economic problems and crises. While not denying that policy-makers are certainly influenced by the social and economic conditions that surround them, such accounts indicate that an approach solely based

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<sup>9</sup> This is closer to an open functionalist approach in my view.

on problem pressures cannot fully explain the specific content of policy reforms nor can it grasp the real motivations of political actors' actions.

### ***Organisational reforms and the subjective nature of fragmentation problems***

To what extent does a problem pressure approach help us to understand why several countries decided to integrate their social security system in the late 1990s- 2000s? Providing an answer to this question first requires an analysis of the type of problems organisational reforms are supposed to tackle. The problem pressure approach has primarily focused on problems and needs arising from socio-economic changes. From this perspective, one plausible hypothesis would be that the higher the unemployment and other inactivity rates are, the more it becomes necessary to develop effective activation policies and, thus, to turn to organisational reforms.

But another way to interpret the functionalist approach is to look at the problems arising from the fragmentation of social security systems for working-age people, i.e. the side-effects of fragmentation and its inability to adequately deliver activation policies. Among other things, the merger of the Employment Service and the Benefits Agency in the UK has been justified as a means to condition the receipt of inactive benefits on individual integration efforts (Karagiannaki 2007). In other countries such as Germany or Denmark, the integration of services and benefits for different categories of unemployed people was presented as a response to the inability of social assistance services to provide quality employment services for benefit recipients. In short, what is said to prompt coordination initiatives is not pressure from socio-economic changes, but the failure of welfare states' fragmented structures to adapt and implement activation policies. Presented this way, the story lends some support to a functionalist understanding of coordination initiatives. As shown in the previous chapter, the welfare state literature has largely endorsed such an understanding of the rapid development of coordination initiatives across Europe.

However valuable they are, those accounts often omit that organisational and policy failures are above all social and political constructs and, thereby, depend very much of policy-makers' interpretation of the situation (Merrien et al. 2005: 53). If criticisms of classical functionalist accounts have emphasised the need to take the critical intervening role of institutions and political actors in turning socio-economic changes into problems and solutions into account, the same is most likely true for organisational problems. And indeed, as Hemerijck and Visser (2003: 14-15) note on failure-induced learning, a truly objective evaluation of the success and adequacy of a policy is rarely possible in politics. One major reason for this is because a policy field usually involves several actors, who each have their own understanding of the nature of the problems and preferences for some solutions. Hence, the definition of failures and inefficiencies is never a self-evident truth fostering political consensus, but the result of a varying and contested interpretation of the reality (Levitt and March 1988, May 1992). To the extent that organisational reforms necessarily imply a redefinition of the distribution of powers between several actors, then a purely evidence-based definition of organisational problems is unlikely.

What is more, the political recognition of problems associated with a particular organisational setting is made even more difficult by the very nature of these problems. While problem loads

arising from changing economic conditions and societal needs can be relatively easily measured with the aid of indicators, this is not the case for problems and inefficiencies arising from organisational structures. Whereas some problems, like the limited access of social assistance recipients to labour market programmes or the number of benefit claimants having to register with several organisations, can, in theory, be measured relatively easily<sup>10</sup>, it is much more difficult to put a figure on communication problems between organisations responsible for benefit payment and sanctions and those responsible for monitoring integration and job-search efforts. In the same vein, causal linkages between organisational structures and performance are hard to establish objectively (Pollitt and Bouckaert 2003, Vrangbaek 2009). What can be deemed a failure on one dimension can be seen as a success on another. For instance, while the institutional split between benefit agencies and employment services can be seen as an obstacle to successfully implement activation policies, it can at the same time be interpreted as a way to achieve greater specialisation and effectiveness of particular tasks, like job placement or particular target groups. In short, in such a context of difficult problem objectification, what is perceived as an adequate or inadequate organisational setting always tends to be subject to competing visions and justification criteria (Aucoin 1998: 323).

Against this background, there are many reasons to doubt that the adoption of radical coordination initiatives was solely driven by a functionalist logic. It is certainly true that the development of activation policies created favourable conditions for engaging in integration initiatives, but there are many indications that they do not represent sufficient conditions for the actual adoption of coordination initiatives.

First, as it appears, similar activation policy developments have not called for comparable problems and solutions in all countries, and this is in spite of similar initial fragmentation lines. For instance, if one considers organisational reforms that move towards integration as a logical response to the necessity for improving employment-oriented support to social assistance or incapacity claimants, then it is difficult to understand why in the 2000s countries like Sweden or Switzerland actually preferred to maintain or even strengthen separate employment and placement services for the unemployed on the one hand, and other categories of jobless benefit claimants with more complex problems on the other (Champion Cyrielle 2011, Sjöberg 2011: 221). Another similar example is provided by policies aimed at attaching work-related conditions for benefit eligibility. If in some countries, such as the UK or France, the administrative separation of the tasks of benefit payment and job search monitoring was considered to be a major obstacle to the enforcement of benefit sanctions, an identical division of tasks has never been up for discussions in countries like Denmark or Switzerland despite benefits entitlement having been made more dependent on individual integration efforts in both countries. These few examples demonstrate the very subjective nature of organisational problems. Not everywhere are fragmented organisational arrangements viewed as a policy problem; in some countries, they may even be preferred over integrated solutions.

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<sup>10</sup> Although in practice, calculations are quickly rendered complicated by incomplete statistics (see e.g. Bonoli and Champion 2013 on the Swiss case), or the impossibility of matching data from various organisations.

Second, where radical integration initiatives were pushed for, it is striking that their rise onto political agendas actually relied on very poor evidence of the presumed significance of fragmentation problems. In the UK, one frequently used justification for the merger of the PES and the Benefit Agency was that it simplified access to services and put an end to benefit claimants being sent back and forth between the two organisations. Yet, as the British case study will show, at the time when the idea of integration flourished, several studies had found that this problem was very limited in practice. In a similar way, whereas the Danish liberal-conservative government advanced the divided responsibility for employment services between the state and municipalities as a reason for the integration of employment services, a report commissioned by the previous Social-Democratic government had concluded that the division of competences did not pose major problems (see chapter 6). Finally, whereas inefficiencies related to cost-shifting practices between municipalities in charge of social assistance and the federal state catering for unemployment benefits was said to be a major motivation for the integration of the two systems in Germany, there has never been any firm figures on the actual scope of this problem. In contrast, the Swiss government has always downplayed the existence of a similar problem in Switzerland. Rather, recent annual statistics on the moves of benefit claimants between different benefit programmes have so far served to legitimise the government's position against any comprehensive restructuring of the welfare state's organisational setting.

All these elements highlight that a functionalist approach that conceives of organisational reforms as primarily driven by the need to solve pressing fragmentation problems entails several limitations. First, such an approach fails to note that problems induced by the fragmentation of the welfare state are diffuse and hard to measure, making their recognition very much dependent on policy-makers' political interpretation. Second, as shown in the few examples above, many organisational reforms were actually undertaken in the absence of any strong objective problems of fragmentation. This is not to say that fragmentation problems have not existed or have been completely irrelevant in the decision of governments to engage in organisational restructuring of their welfare states. However, these few examples obviously demonstrate that they are as such insufficient to explain governments' choice of integrated solutions and for their particular features. At best, if fragmentation problems have genuinely influenced decisions for organisational restructuring, then this is more because they were identified by policy-makers as pressing problems than because they necessarily required action (see multiple-stream model, Kingdon 1995).

A better understanding of governments' choices for integrated delivery structures therefore requires distance from simple problem-solving understandings of organisational reforms, and a look at other factors that may have helped governments in Europe to pay serious attention to fragmentation problems and push for organisational reforms. In the next part, we will look at how ideational approaches can help us fill the gap between fragmentation problems and organisational reforms and understand the motivations that prevailed in governments' decision to opt for organisational changes, despite numerous obstacles and uncertainties.

## **2.2. The power of policy ideas? Policy learning, diffusion and framing**

By taking political actors as the point of departure and focusing on how they come to change their vision of possible and desirable solutions to adopt, the ideational approach specifically seeks to address the sometimes incongruous link between problems and solutions. According to this approach, ideas are the mediating factor between problems and solutions. Ideas first provide policymakers evolving in a complex environment with broad maps to make sense of it. Second, and perhaps even more importantly, they can serve as powerful instruments of policy change, as new ideas may lead policymakers to revise their understanding of the policy environment and help them to get persuaded of the need for change despite initial uncertainties about the best course of action. Given the various uncertainties that cloud the adoption of organisational reforms, the ideational approach may therefore offer a valuable theoretical framework to shed light on the reasons governments championed them.

As many broad theoretical frameworks, the ideational approach does not form one homogenous strand of research. Rather, it consists of various strands of research, which all share their emphasis on ideas as the main determinant of policy change, but differ on several aspects. Ideas are not always given the same meaning, and have been labelled alternatively as policy solutions or alternatives (Kingdon 1984, Mehta 2011), 'référentiels' (Jobert and Muller 1987), road maps (Goldstein 1993), policy paradigms (Hall 1993, Béland and Hacker 2004), or causal beliefs (Béland and Cox 2011). In fact, this conceptual ambiguity reflects the various ways in which ideational approaches have used ideas to explain radical policy change.

For the study of organisational reforms, three important streams of literature can be distinguished. They are the policy learning and diffusion approaches and the discursive approach. The agenda-setting approach forms another strand of research usually comprised in the broader ideational approach (Starke 2006). However, given its very particular focus on how an idea reaches the political agenda, the question at the centre of this study, it is here given a separate treatment (see section 2.4). Among the three other strands, the policy learning and diffusion approaches are very close, as both postulate that the access to new information can facilitate the turn to new policy solutions. They differ however on the sources of information, the policy learning stream concentrating on trial-and-error experimentation and the diffusion stream on exchanges of experiences across different countries. As for the discursive approach, it takes another stand on ideas, which it considers from the point of view of the political discourse. In this conception, policy solutions are said to encapsulate several ideas which, through strategic framing processes, can be used by policy-makers to push for a reform (Béland 2007: 125).

All three strands have provided useful frameworks for the few studies that have sought to understand the adoption of integration reforms in Europe at the turn of the millennium. They are also empirically sound for several reasons. As this study will show, the turn to the radical option of organisational restructuring was preceded in many European countries by more cautious approaches in the form of pilot projects intended to weigh several ways of getting agencies to work more closely together. Then, organisational reforms took place in a context characterised by flourishing exchanges of ideas at the international level. The late 1990s gave

birth to the European Employment Strategy aimed at coordinating best practice employment policies in Europe. This period coincided with the OECD and European Union starting to plead for an active welfare state and, in connection, for the modernisation of the PES. These two developments have certainly contributed to the emulation of the idea of a greater integration of social and employment services. Finally, given the many positive ideas that can be attached to organisational reforms (like e.g. tailor-made support, greater user-friendliness and efficiency of the public sectors), there are reasons to believe that discursive and framing processes played a role in their adoption.

This section therefore reviews these three strands of literature successively and examines how far they can account for the reasons that led many governments to turn to organisational reforms in social and employment policies. Throughout these accounts, it is argued that although ideational approaches intend to put policy entrepreneurship at the centre of the analysis, one of the critical weaknesses is a relatively poor conceptualisation of the triggers and motivations that prompt political actors to learn and embrace new ideas in the first place. A concluding discussion therefore argues for a greater consideration of the interaction between ideational and political motivations, which recent ideational studies have increasingly tried to address.

### ***Policy learning: the role of knowledge, experimentation and policy failure***

The strand on policy learning begins with the observation that policy-makers not only have the ‘power’ to defend their interests, but also ‘puzzle’ over knowing what to do in a context of uncertainty and changing environment (Hecló 1974). Hence, rejecting arguments according to which policy changes are understood solely in terms of political conflict or functional necessity to pressing problems, the policy learning literature holds that a great deal of policy-making is actually about reflecting about the performance of policies and adjusting policies accordingly. In this context, learning can be described as a process whereby policymakers assimilate new information, update their beliefs about the performance of a policy, and if the existing situation is judged as unsatisfactory, arrive at new solutions and ideas (Bennett and Howlett 1992, Radaelli 2009, Champion and Bonoli 2011, Fleckenstein 2011, Hemerijck 2013). Hence, in contrast to functionalist arguments, they do not see the main impetus for policy change in outside pressures, but instead in the cognitive evaluation that is made of them by policy-makers (Hecló 1974: 319, Hall 1993: 278). In other words, from a policy learning perspective, this is less the objective performance of policies than the perception of their poor performance which matters (May 1992: 342).

Hecló’s pioneer study on the ‘puzzling’ dimension of politics has given rise to several major works which all underscored the cognitive dynamics of learning in policy-making, yet with variants on the concepts and focus used (Bennett and Howlett 1992, Hall 1993, Sabatier and Jenkins-Smith 1993, Knoepfel et al. 1997, Surel 1998, Fleckenstein 2011). Among them, the approach taken by Hall (1993) in his study of the shift from Keynesian to monetarist macroeconomic policy in Britain in the 1970s and 1980s has been particularly influential. Hall’s main argument is that this fundamental shift, which he describes as nothing less than a paradigm change, did not occur on the basis of rational or scientific arguments. Rather, he



demonstrates that the shift to monetarism was largely owing to an experimental trial-and-error process triggered by a 'deliberate attempt to adjust the goals and techniques of policy in response to past experience and new information' (Hall 1993: 277).

For Hall, policymakers work within a framework of ideas analogue to a policy paradigm that not only specifies the goals of a policy and the instruments used to attain them, but also the very nature of problems that they are meant to address. Because altering overarching policy goals radically challenges the existing policy paradigm, policy-makers are generally initially reluctant to question them when confronted with the appearance of anomalies. Instead, they first tend to adjust the most basic levels of a policy, like changing the precise settings of policy instruments, or changing policy instruments if anomalies and problems persist. It is only when these experiments with first- and second- order changes prove incapable of dealing with anomalies that policymakers gradually re-examine and question the authority of the existing policy paradigm. Hence, for Hall, radical changes like moves from one policy paradigm to another are made possible by the accumulation of anomalies, experimentations with new policy forms, and the acknowledgement of their failures which, combined, seriously undermine the established paradigm around a policy (Hall 1993: 280).

According to Hall, as well as most learning advocates, policy learning is based on a process of trial and error, during which the diagnosis of persisting policy failure is crucial for a switch to more radical policy solutions (May 1992, Hemerijck and Visser 2003, Fleckenstein 2011: 43-44). But how do they come to acknowledge policy failure? What sources and mechanisms of knowledge production may help policymakers build an understanding of the performance of policies?

Following May (1992), one can basically distinguish between two sources of information. In the first place, a large variety of *indirect sources of information* like annual reports, new scientific advances or even policymakers' own experience are said to help policy-makers to progressively build their mind on the performance of a policy. Learning occurs here relatively unconsciously, through the progressive assimilation of information available. The second source of information is somewhat more restrictive, and refers to *direct information* on the performance of policies as typically obtained in policy evaluations or through pilot projects<sup>11</sup>. In such a case, learning acquires the dimension of a 'planned' process (May 1992: 333) intended to assess and compare the effectiveness of particular policy solutions. With the growing complexity of the social world, this intentional search for learning has gained prominence in policy making, and some governments, especially the New Labour government in the UK, have been keen to demonstrate their commitment to evidence-based policy-making.

Apart from these two sources of information, some authors have pointed to a third mechanism of knowledge production, which are forums or commissions of experts (Jobert 1994a: 12-13, Fleckenstein 2011: 46). Policy learning is commonly said to take place within small policy elites, typically senior civil servants with the capacity to set government agendas while being relatively protected from political pressures. In contrast, forums or commissions of experts

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<sup>11</sup> The distinction made by May between direct and indirect sources of learning is close to the distinction made by Saint-Martin (2002) between endogenous and exogenous sources of knowledge.

open the scope of actors involved in learning processes to experts from all major interest groups of a policy community. Such commissions not only play a great role in gathering and circulating available knowledge. By enabling their participants to regularly exchange views and progressively build a common understanding of existing problems, commissions are also particularly conducive to collective learning processes (Jobert 1994b, Knoepfel et al. 1997, Stone 2001, Fleckenstein 2011).

In sum, by stressing the role of knowledge, experimentation and policy failure in helping policymakers to advance new policy ideas, the policy learning literature a priori gives valuable insights into the internal mechanisms that may have persuaded European governments to turn to the solution of service integration despite initial, high uncertainty about their effects. As some scholars have suggested, the use of knowledge and learning processes tend to gain relevance in highly technical matters and in areas with high levels of uncertainty about how to best adjust policies (Sabatier and Jenkins-Smith 1993, Boswell 2009: 71). Organisational reforms can be seen as belonging to this kind of technical and uncertain reforms conducive to experimentation and learning processes. And indeed, as it appears in this study, not only the New Labour government in the UK, but all countries under scrutiny first undertook pilot projects that experimented with various forms of inter-agency coordination before turning to the more radical way of organisational restructuring. In a very detailed reconstruction of the policy-making process of the German Hartz IV reform, Fleckenstein (2008, 2011) convincingly shows that learning from a first pilot project on inter-agency cooperation proved decisive in convincing experts of the inability of moderate collaboration procedures to solve fragmentation problems. Furthermore, he demonstrates the crucial role of the establishment of an informal expert commission in overcoming initial scepticism about the viability of a radical organisational reform. As most governmental and societal actors participated in the commission, the consensus created there constituted a significant step for the subsequent policy process (Fleckenstein 2011: 173).

Notwithstanding such evidence, many authors have also warned us against an overly optimistic view of policy learning in politics. In fact, as they say, learning in politics is likely to be subjected to many impediments and limitations, Hecló (1974), as one of the first theorist of policy learning, had already acknowledged the risk of ‘non-learning’ when policymakers are unable or unwilling to assimilate new experience and information. One reason for not learning can simply be that the new information is not directly applicable and no adequate solutions can be envisaged (May 1992, Boswell 2009: 59-60). But, another reason relates to the fact that policies usually involve several actors, each having their own interpretation of the nature of problems and preferences for some policy solutions depending on their position and objectives (Hemerijck and Visser 2003: 13, Pierson 2004: 125-126, Fleckenstein 2008). Conflicts of interests and power may therefore seriously deteriorate the potential for policy learning. Although Fleckenstein is keen to show the crucial role of policy learning in the adoption of the Hartz IV reform in Germany, he also concedes that institutions, through the policy legacies and deep-seated institutional interests they create, may provide powerful barriers to effective policy learning (Fleckenstein 2011: 57-59). In the same vein, some authors have doubted the learning capacity of forums of experts when they bring together actors with various diverging institutional interests (Jobert 1994a, Knoepfel et al. 1997). This

is all the more true for highly politicised policies (Saint-Martin 2002), or organisational reforms that may have profound consequences on the distribution of power between the actors involved.

Finally, looking at learning from pilot projects and policy evaluations, several authors have stressed the limited capacity of politics to genuinely draw lessons from them. This is first due to the limits of evaluation research itself. Because it is always extremely difficult to isolate the impact of pilot programmes from external influences and because of the time needed for pilots to be fully established and show their first effects, it is very unlikely that governments get the clear-cut results they expect at the time they want (Sanderson 2002). This brings us to a second limitation, which is that research and political time horizons rarely coincide. As a consequence, electoral cycles and short-term political considerations are very likely to take prevalence over research needs in policy-makers' considerations (Sanderson 2002, Pierson 2004: 41). Table 2.1 summarises the main limits of the various modes of policy learning.

**Table 2.1: The various modes of learning about the performance of policies**

<i>Mode of learning:</i>	<b>Unconscious process</b> (by gradual incorporation of information)	<b>Planned process</b> (evidence-based policy-making)	<b>Learning in networks</b> /commissions of experts
<i>Sources of knowledge:</i>	Indirect sources: - Annual governmental reports & statistics - Academic advances, etc.	Direct sources: - Pilot projects - Policy evaluations	- Mutual exchange of experiences & views, - Production of new knowledge
<i>Who learns?</i>	Government members, career senior officials		Policy experts within & without governments
<i>Obstacles to learning:</i>	- Inability to find adequate solutions - Ignorance of non-desired information		
		- Research limits - Political short time frames	- Conflicts of interests

*Sources:* own categorisation and recapitulation based on, among others, May (1992), Sanderson (2002), Fleckenstein (2010)

All those limitations seriously circumscribe the prospects for governments to learn from past experiences and new information. They also critically underline the questions of the motivations and reasons that make governments want to learn in the first place (Radaelli 2009, Hemerijck 2013). The question is particularly relevant for planned experimentation and pilot projects, as their establishment necessarily imply prior motivations. But the question also holds true for the more diffuse form of learning through trial-and-error experimentation and indirect sources of information. What prompts policymakers to acknowledge policy failures and turn to new ideas and solutions? Of course, the desire to improve the performance of policy instruments and organisational designs undoubtedly constitutes one motivation, but as many authors have acknowledged, political motivations are equally crucial. The use of knowledge is never a politically neutral exercise. As several authors have stressed, the use of

intentional forms of knowledge, like policy evaluations or pilot projects, may serve other purposes than searching for improving policy performance. Knowledge utilisation may also fulfil ‘substantiating’ functions aiming to find concrete justifications for prefabricated policy preferences, provided results “supports politically-driven priorities’, or alternatively, may be valued for the symbolic signal it conveys about the commitment of policy-makers to tackle some policy issues. In the latter case, this is perhaps less the content of knowledge that is of interest, but the simple fact of showing that something is being done. (Sanderson 2002, Boswell 2009: 5-8, Radaelli 2009). These alternative uses of knowledge are perhaps most obvious for intentional forms of knowledge. But even in the case of genuine trial-and-error learning, it is difficult to imagine policymakers experimenting with new policy solutions that run counter their political commitments and positions.

### ***Policy diffusion: learning from others and with others***

Besides policy learning based on domestic experiences, another strand of literature argues that the adoption of new policy ideas, programmes and institutions reflects the diffusion of policy ideas developed in other countries or promulgated by supranational organisations like the OECD or the European Union. As the literature generally assumes that the confrontation with policy ideas developed elsewhere may have the power to transform policymakers’ cognitive understandings of the reality (Casey 2009: 103, Weishaupt 2012: 6), policy diffusion<sup>12</sup> obviously shares many of the causal mechanisms at stake in policy learning processes. The main difference here is that learning is based on experiences and ideas introduced abroad or diffused internationally. Noteworthy here, too, is that learning can be both positive, i.e. learning from the success of other policies, and negative when policy-makers draw lessons from the negative experiences made abroad. In the latter case, policy diffusion is likely to result in non-transfer and to reinforce diverging paths of reforms (Dolowitz and Marsh 2000, Stone 2001).

It is widely assumed that since the 1990s, domestic policy-making in Europe has been shaped by policy diffusion due, among other things, to new communication technologies and the emergence of the European Union as a new proliferator of ideas in social and employment policies (Dolowitz and Marsh 2000, Weishaupt 2012). And indeed, as it appears, the idea of organisational reforms in social and employment policies emerged at about the same time as the EU became involved in social and employment policies. There are thus *a priori* good reasons to believe that the stimulation of ideas and exchanges produced by the creation of a European tier in social and employment policies has positively influenced the adoption of organisational reforms in this field. What is more, several studies have shed light on the importance of borrowing and diffusion practices in the development of one-stop-shops and single gateways for jobless people. Daguerre and Taylor-Gooby (2004), for instance, demonstrated that experiences made in the US had significantly contributed to the creation of Jobcentre Plus in the UK. Clasen et al. (2001a) came to similar conclusions, suggesting that

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<sup>12</sup> Or policy transfer, mimicking, lesson-drawing depending on the authors. These terms are often used interchangeably. Although I do not systematically differentiate them, I prefer to use the notion policy diffusion as the generic term, because it also evokes the idea that diffusion may occur through contagion processes (see below the discussion on diffusion as a result of ‘learning with others’)

the idea of a single gateway in the UK owed a great deal to policy learning from Australia and the US. The British Jobcentre Plus, in turn, seems to have served as a model for the one-stop-shops introduced in Germany and Denmark (Seeleib-Kaiser and Fleckenstein 2007, Carstensen and Pedersen 2008).

Such empirical evidence forces us to examine in more detail the way in which policy diffusion may shape the decision of policymakers to engage in policy change. One way to do so is to investigate how much of the solutions developed elsewhere is actually retained and incorporated into actual policy decisions. Does diffusion only imply the transfer of general ideas, in which case one better has to talk about a broad inspiration, or does it lead to the outright copying of solutions? Although nowadays, everybody agrees that a pure copying of solutions from one country to another is hardly possible, looking at degree of transfer still constitutes one way to explore the influence of diffusion on domestic policy choices. Another way is to look at the causal mechanisms of policy diffusion. As Dolowitz and Marsh (2000: 8) point out, 'if one wishes to use policy transfer to explain policy outcomes, then one also needs to explain what causes transfer'. In this respect, the distinction made by Hemerijck and Visser (2003) between '*learning from others*' and '*learning with others*' appears a fruitful analytical distinction to organise this section. These two forms of policy diffusion describe two processes by which new policy ideas developed elsewhere may influence policymakers' choices, but which differ substantially in the causal motives that underpin such choices.

The notion of 'learning from others' designates the process by which policymakers of one country detect, observe and borrow policy solutions developed or promulgated outside their national boundaries. Hemerijck and Visser (2003) make here above all reference to the proactive search by policymakers for promising ideas developed in other countries. But another example of learning from others is when policymakers decide to give consideration to policy recommendations and best practice policies diffused by international organisations like the OECD and the European Union. In both cases, learning from others entails a strong voluntary dimension, for a large part motivated by the perception of domestic policy problems and the search for more successful policies. In the words of Hemerijck and Visser (2003: 17), learning from others, just like policy learning, tends to be 'failure-induced, and failures need to be brought to attention' first.

The above-mentioned empirical studies on the diffusion of one-stop-shops describe processes belonging to this type of learning. They rarely make explicit mention of the motivations that led policymakers of one country to look to experiences found elsewhere. In their study of the transfer of workfare policies from the US to the UK, Daguerre and Taylor-Gooby (2004) do explicitly investigate this question. Their conclusions partly support a failure-induced approach, as they identify, besides cultural and contact proximity, the prolonged European failure on the employment front as one major motivation for looking at the American workfare policies. In contrast, Carstensen and Pedersen (2008) make the point that learning from others in the Danish case essentially served the purpose of finding ideational weapons in the political struggle, the political decision to integrate employment services being already agreed upon when the Dutch and British models were being examined.

Whatever the motivations are for looking abroad, all studies underline the partial and complex process of learning from others. Daguette and Taylor-Gooby (2004) suggest that American inspirations for the establishment of the British Jobcentre Plus remained at the broad level of general ideas, while Clasen et al (2001a: 60) point out that the British model went actually much further in the concept of integration than most US versions did at that time. In a similar vein, Carstensen and Pedersen (2008) recognise that several important ideas were translated from the Dutch and British models (e.g. the focus on employment services alone, the idea of individualised support), but that these ideas had to be substantially adjusted to fit the Danish institutional, political and ideational situation of the time.

Whereas learning from others denotes a voluntary process of looking to and examining experiences undergone elsewhere, '*learning with others*' refers to a social and interactive process whereby exchanges and deliberations among experts contribute to create a common understanding of the problems and most appropriate solutions to adopt (Hemerijck and Visser 2003). Learning with others therefore represents a soft and informal mode of diffusion (Stone 2001: 15), similar to learning in domestic forums of experts, but at the international level. Rather than guided by a proactive search for effective solutions, learning here occurs through the gradual construction and 'contagion' of a common discourse within a policy network. Regarding the influence on policy change, it is commonly assumed that 'learning with others' can have powerful agenda-setting effects, if it propagates to policymakers with sufficiently important positions in their country to influence national policy debates (Stone 2001, Casey and Gold 2005).

Epistemic communities are typical vehicles for the diffusion of shared values and discourses around policies across national boundaries. Organised around the production of expert knowledge, these informal transnational communities bring together academic and professional experts working closely with international organisations and national governments (Campbell 2002, Saint-Martin 2010). Jobert (1994a: 17) and Saint Martin (1998) showed that the constitution of a vast community of international consulting firms and academic experts, through their consulting activities for governments, played an important role in the diffusion of the NPM doctrine in the 1990s. This notwithstanding, Jobert (1994a: 18-19) still considers governments' prior recognition of severe economic and financial problems as a *sine qua non* condition for their openness to the neo-liberal ideas promulgated by academic and professional experts.

At the European level, the European Employment Strategy (EES) also entails important elements of learning with others (Hemerijck and Visser 2003). As part of the EES, a peer-review procedure, in which examples of best practice social and employment policies are evaluated by peer countries, has been explicitly designed to create the conditions for mutual learning across European countries (Casey and Gold 2005). Less formally, the development of the EES also stimulated the establishment of networks of experts in some particular areas, like the HoPES<sup>13</sup> network dedicated to PES modernisation in member states. Meeting on a regular basis and organising expert workshops, HoPES has progressively formed a dense network consisting of heads and senior officials of national PES, policy experts and European

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<sup>13</sup> HoPES is the abbreviation for 'Heads of Public Employment Services'.

Commission representatives (Weishaupt 2010: 478). Whereas Casey and Gold (2005) identified numerous cultural and administrative constraints to policy diffusion within the framework of the formal peer-review procedure, Weishaupt (2010) reveals the critical role of the HoPES network in conceptualising and even triggering major structural PES reforms, including the introduction of performance management techniques, individualised case management and the strengthening of contestability in employment services. As he suggests, one major strength of the HoPES network was its dense character, a feature which was largely absent in the peer-review process at its beginnings, in which only a few junior governmental officials participated, and this on a high turnover basis (Casey and Gold 2005). In spite of these generally positive findings, Weishaupt stresses the more limited impact of the HoPES network on the diffusion of the idea of one-stop-shop. On this point, he notes that due to the highly political nature of reorganising efforts, the network failed to find a consensus with respect to a best 'one-stop shop' model, and did not even agree on whether a single gateway was even desirable (Weishaupt 2010: 479).

What can we conclude from this discussion of how policy diffusion may shape decisions to engage in radical organisational reforms? A first point is that policy diffusion rarely provides the primary impetus for governments to engage in reforms. This is most obviously the case for the form of diffusion based on the voluntary examination of foreign policy solutions, which implies an initial, strong interest in bringing about policy change. But this appears to hold equally for the form of 'learning with others', even if one could have thought that this diffusion mode, through its contagion effect, could have had a more direct impact on domestic policy decisions. Here again, the initial impulse to entertain certain policy solutions promulgated by epistemic communities is often assumed to come from the domestic level, more specifically, from the recognition of important problems that need to be solved.

Second, findings from empirical studies suggest that, whatever the form of learning at stake, diffusion processes may be seriously constrained when it comes to policies directly affecting national institutional arrangements and their established power equilibrium, as it is the case of organisational reforms promoting the integration of social and employment services. If policy diffusion takes place, then it is rather at the level of general ideas, and thereby closer to a broad inspiration than a direct copy (Dolowitz and Marsh 2000). This finding is consistent with the claim made by several authors that general ideas, concepts and problem definitions tend to be more easily transferred than concrete policy programs or organisational changes are, which are more likely to generate political and institutional resistance (Schludi 2003: 13, Casey and Gold 2005).

All in all, for our understanding of the motivations that may have led national governments to engage in organisational reforms aimed to integrate the provision of income protection and employment services, one can lament the fact that the policy diffusion literature often falls back on a conception of diffusion processes as either triggered or facilitated by problem-solving considerations. This does not mean, however, that policy diffusion is of no relevance to an understanding of the adoption of these reforms. As Dolowitz and March (2000) argue, it would be wrong to define policy diffusion as 'an all-or-nothing' phenomenon. What is more, policy diffusion may still serve other purposes than triggering policy change, like searching for ideational weapons to use in political debate (Carstensen and Pedersen 2008). With such a

view brings back the issue of the political uses of ideas and knowledge resurfaces. It means that ideas are not only selected for their effectiveness or capacity to solve problems, but also for their perceived capacity to fit with the political situation prevalent in a country, or alternatively, to facilitate political agreement over some policy reforms. The strategic use of ideas as political weapons has been the preoccupation of many researchers within the ideational approach, and is dealt with in the next section.

### ***Framing and discursive processes***

Within the broad ideational perspective, a growing body of literature has stressed that the way in which policy reforms are framed is important in helping reform-minded political actors overcome resistances, and generate political and public support for their reforms (Campbell 2002, Stiller 2010). From this perspective, ideas provide symbols and concepts which may turn into ‘political weapons’ (Blyth 2001) in the hands of political actors able to articulate and communicate them in an appropriate way. Because discourse is not only about what is said, but also to whom something is said, an adequate and successful framing strategy is likely to take different forms depending on whether it targets specialists or the general public (Blyth 2001, Schmidt 2008). To that end, one can distinguish between the more technical coordinative discourse among policy actors, and the more accessible communicative discourse directed at the general public. While both are important, the communicative discourse to the public tends to predominate in power-concentrated systems, whereas policy-makers in fragmented political system will need to give more weight on the coordinative discourse to ensure support from political opponents (Schmidt 2002, 2008).

Framing can affect several aspects of the reform process (Stiller 2010: 34-37). By contributing to the imposing of a dominant interpretation of the causes of current problems and what needs to be done to remedy them, framing can be first used to create consensus around the need for a radical reform. For instance, Cox (2001) shows that in 1990s, the capacity of the Dutch and Danish political leaders to justify welfare state cutbacks as a necessity to preserve and restore traditional welfare values was essential in convincing the public of the need to reforms. In similar vein, Schmidt (2002) finds that the Thatcher government’s consistent communicative discourse appealing to the country’s long-standing adherence to liberal economic principles and the rhetoric of the undeserving poor explains much of the different success of Britain and New Zealand in imposing neo-liberal ideas in the 1980s, and this despite similar economic crisis, institutions and values. Of course, Thatcher’s communicative discourse had its limits, and Thatcher found herself unable to retrench many welfare state programmes. But as Schmidt (2002: 175) argued, the fact that the Labour Party was unable to get re-elected until it espoused much of the Thatcherite discourse is one confirmation of the success of Thatcher’s discourse.

Second, framing can seek legitimacy and support for particular policy proposals (Stiller 2010). In this case, the focus is placed on how policy-makers articulate the substantive content of policy solutions to make them more appealing. Hiding negative aspects of a proposal while emphasising its positive aspects, remaining very vague so that the proposal can be read in very different ways, or finding ‘focal points’ (Goldstein and Keohane 1993)



around which actors can agree without seeing their interest contradicted are all examples of framing strategies that help create support for an idea. In labour market policy, an example is given by Weishaupt (2012) who shows that in their efforts to promote active labour market policies in the 1990s, the EES's notion of activation quickly became more successful in Europe than the OECD's emphasis on workfare. Whereas workfare strongly referred to the Anglo-Saxon model of compulsory counterpart and work-first, the notion of activation was, in contrast, a vague concept that allowed both the Left and the Right to include and stress aspects that satisfied their preferences. As illustrated here, framing can help foster political consensus, and, as such, endorse a relatively similar function as other policy-making strategies like 'quid pro quos', which combine savings and expansionary elements, to secure the adoption of controversial reforms (Bonoli 2000: 168).

In his study on the influence of ideas on the Danish Jobcentre reform (which brought together employment services for the insured and non-insured unemployed), Carstensen (2010) shows that organisational reforms seeking coordination can be very sensitive to such framing processes, as they may be connected to several very malleable and dynamic ideas. In his view, the fact that the Liberal-Conservatives in government built their reform argument on two ideas, individualisation and equal status of all the unemployed, which had long been promoted by the Social Democrat party, was a key element in creating cross-party agreement for an integrated employment service.

One major drawback of the framing and discursive literature remains however. That is its relative weakness in explaining policy-makers' initial motivation to push for a particular policy solution. This is especially true of accounts that take a narrow conception of framing as a strategic activity whose aim is to sell a particular policy idea. According to Schmidt (2008: 311), this is mainly because framing often appears to be a top-down or elite-to-elite process. Yet, framing can also come from the bottom up, from social actors and activists. If such actors are successful enough in their framing strategies to persuade governments of the relevance of their arguments, then this represents one way in which the framing literature could account for the policy choices made by governments<sup>14</sup>. However, in our case, the impulse for organisational reforms mostly came from above (i.e. governments). The only case where the stimulus came from other actors is in Switzerland, and proponents of a profound organisational welfare state restructuring (mainly representatives of Cantonal social assistance schemes) have not yet proved successful enough to impose their demands on the national political debate.

This notwithstanding, framing and discursive accounts add two very interesting elements to the discussion of the embracing of organisational reforms towards coordination: First, they suggest that political opposition and public opinion matter tremendously in policy-makers' strategies to make reforms adopted (Béland 2005). Second, and perhaps more importantly,

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<sup>14</sup> In an article on the transformation of the Swedish economic model, Blyth (2001) very convincingly describes how the Swedish employers' organisation managed to redefine the terms of the Swedish economic model in the 1980s, eventually leading the Conservatives in office to endorse their positions, yet unfortunately at the worst time. He nevertheless concedes that this has not happened easily, and actually demanded enormous resources from the employers' organisation.

they suggest that the content of policy solutions and the way in which they can be articulated with other ideas, can contribute much to their political attractiveness. As Carstensen (2010) states, organisational reforms towards one-stop-shops and coordination are certainly very much exposed to strong institutional and political resistances. But they also belong to the kind of reforms that can be associated with positive ideas like individualisation of services, greater user-friendliness or even public sector efficiency, all of them being in essence hard to argue against. Such positive values may partly explain the attractiveness of organisational reforms as a policy idea in governments' eyes. Unlike what has been argued here on the limits of the framing literature to account for policy choices, Béland (2005) claims that 'the ability to frame a policy programme in a politically – and culturally- acceptable *and* desirable manner is a key factor that can help explain why some policy alternatives triumph over others and why elected officials decide to 'do something' in the first place'. While it seems a bit exaggerated to think that framing alone can explain the rise of an idea (Béland himself concedes it), this nevertheless suggests that the nature and substantive content of some policy ideas may affect the chances of being embraced by governments.

### ***Conclusion: the ideational approach and actors' motivations to act***

In the 1990s, the ideational approach gained prominence for its strong inclination to explain policy change, and related to that, its willingness to bring 'policy entrepreneurs' (Kingdon 1995), back at the centre of interest. Against functionalist approaches which tend to evacuate the role of policymakers in making sense of their policy environment and shaping the course of action, the ideational approach considers them as agents of change, capable of reflection, innovation and purposeful action (Béland and Cox 2011, Hemerijck 2013). Compared to the functionalist approach, ideational approaches therefore provide us with more subtle insights into some mechanisms that may have encouraged national governments in Europe to put organisational reforms on their political agenda. The policy learning literature sheds light on the role of knowledge and experimentation, the diffusion literature points to the influence of transnational exchanges, while the framing literature suggests that the nature of organisational reforms, which can be associated with intrinsically positive values, may increase their political attractiveness.

However, and despite its theoretical emphasis on human agency, it is striking to see that much of the empirical ideational literature has often assumed a narrow conception of policy-makers as essentially driven by the motivation to solve what they deem a policy failure, thereby neglecting many of the political and electoral considerations that may drive governments. In its attempt to differentiate itself from functionalist and institutionalist accounts and highlight the explanatory power of ideas and cognitive factors, the ideational approach has often tended to overlook the political and institutional dynamics involved in policy-making (Surel 1998, Stone 2001, Campbell 2002, Béland and Cox 2011). The study by Weishaupt (2012) on the influence of the OECD and EES on national labour market reforms is a case in point. In his conclusion about reforms undertaken in the 1960s, he states that 'partisan and power-based explanations are far from superior in explaining the commonalities amongst these very different cases. Neither the active engagement of labour unions nor the presence of Social

Democrats in (coalition) governments are necessary to introduce Swedish-style policy changes and associated PES reforms'. Organisational reforms aimed at integrating employment and social services were equally adopted by both centre-left and centre-right governments. But does it really mean that their decision to engage in such reforms was mostly exempt from political considerations?

In 1974, Hecló had already claimed that policy-making was both about 'puzzling' and 'powering'. Policymakers in the political arena do not only strive to solve problems, they also seek for office and for votes. Recent ideational studies have increasingly attempted to take political and electoral considerations into account. Within the policy diffusion strand, several scholars have recognised that the transfer of a policy innovation may not only be motivated by its perceived capacity to solve a problem effectively, but also for its effect on the reputation of the government and the signal it transmits about the state (Brooks 2007: 704, Gilardi et al. 2009: 554). Similarly, in his most recent study on welfare state changes, Hemerijck (2013: 100) concedes that improved understanding of the performance of policies 'may trigger political motivation to do something, but not when solutions are seen as politically unrewarding.'. Furthermore, in his view, without electoral competition and the possibility of losing power, policymakers would have no incentives or motivation to learn. Because the repeated failure of some policies to deliver expected outcomes may always run the risk of triggering criticisms from political opponents and voter dissatisfaction, electoral competition functions as a crucial mechanism for policy learning by incumbent governments. Hemerijck, therefore, clearly pleads here in favour of a greater consideration of electoral motivations in learning processes. However, by suggesting that electoral considerations are predominantly related to the desire to avoid electoral punishment for persisting policy failures, it appears that he still conceives policy failure as the basic precondition for engaging in policy learning.

Against the predominance of problem-solving motivations, but in agreement with recent work advocating an analysis of how ideas and power combine, this study seeks to draw attention to the multiple motivations and considerations that may prevail in the decision to engage in radical organisational studies. After discussing some strands of political research that have emphasised the variety of streams and objectives involved in policy-making, the final part of this chapter argues that the adoption of organisational reforms is best understood from the point of view of the opportunity to achieve several political and policy goals at the same time. But before arriving there, I begin by examining the opportunities and limits of the new-institutional approach for explaining the reasons why governments turned to organisational reforms.

### **2.3. The institutionalist approach: constraints and opportunities for organisational reforms**

Organisational reforms face a paradox. On the one hand, when they aim to strengthen the coordination of employment and social policies, they may be associated with positive values like increased individualisation of support, or public sector efficiency. On the other hand, they are also about redrawing the organisational boundaries of welfare states, and as such, are very

likely to be hit by severe political and institutional resistance from actors who will perceive themselves as potential losers in the reform. Such conflicts have particularly great chances to materialise when organisational reforms affect the distribution of power between the state and non-state actors. But turf battles and institutional resistance may equally arise when organisational reforms target government agencies. As a result, one cannot study organisational reforms in social and employment policies without understanding the constraints and opportunities that national institutional arrangements can have on their adoption.

By focussing on how institutions structure the behaviour and interaction of political actors and, as a result, shape national responses to socio-economic problems, the institutionalist approach<sup>15</sup> is more helpful for understanding final policy outcomes than initial policy choices. Whereas institutionalist theorists have often claimed that institutions also shape actors' preferences and goals (Immergut 1992a, Thelen and Steinmo 1992: 9, Steinmo 2008: 129, Palier 2010a: 27), another common assumption which has long dominated the institutional literature regarding policy choices has been that the impetus for reforms comes first and foremost from exogenous political and socio-economic shocks (Thelen 1999, Steinmo 2001: 2, Mahoney and Thelen 2010), and that national institutional configurations may significantly restrict the number and range of possible solutions available to policy-makers in a given country. Such a perspective thus tends to view institutions as a source of policy reproduction and stability rather than a source of policy change. In the welfare state literature, institutionalist arguments have been typically used to describe how national institutional settings have contributed to the persistence of distinct reform trajectories across welfare regimes and nations, and in the 1990s, to the remarkable resistance of mature welfare states to change in the face of mounting socio-economic pressures. So, upon first sight, the institutionalist literature seems of relatively little relevance to an explanation for the adoption of organisational reforms across various European countries, despite their high potential for institutional resistance and political conflict.

More recently, however, the evidence that radical policy change could actually take place prompted institutionalist scholars to revise their core assumption and incorporate elements that could explain changes into their analysis. This has mainly been done in two ways: by acknowledging the possibility that actors were not only constrained by institutions, but were capable of strategic action to overcome institutional resistances, and second, by reconsidering traditional appreciation of the impact of institutions and allowing them to act as sources of change rather than uniquely as sources of policy reproduction and stability. This last development, in particular, may be of great interest to this study, as it suggests that national institutional arrangements may have themselves created incentives for policy-makers to engage in institutional reforms (Streeck and Thelen 2005a).

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<sup>15</sup> Institutionalism constitutes a prosperous theory in political sciences, which embodies various different streams. In this study, the institutionalist approach I refer to is principally the historical institutionalist approach, which stands out for its strong interest in explaining diverging political outcomes across nations, and its special emphasis on history and institutions as explanatory causes (Steinmo 2008). Belonging to what has been called the new institutionalist theory, it endorses a large definition of institutions, going up to include informal rules and norms in its definition (Steinmo 2008: 10).

In the welfare state literature, two types of institutions have been generally assumed to effect policy changes. They are the political institutions of a country, and existing welfare institutions. Their relevance for apprehending the adoption of organisational reforms in social and employment policies is examined below.

***Political institutions: an explanatory bias towards institutions as constraints to change***

Studies focusing on the impact of political institutions on welfare state development have been primarily interested in understanding how the distribution of decision-making powers may create obstacles and opportunities for pushing forward reforms. In this respect, the general claim has been that political systems that concentrate decision-making powers in the hands of single-party governments afford greater opportunities to reform-minded governments for implementing radical policy change than political systems that disperse decision-making across several arenas and political actors. Because in each of these arenas, the adoption of a reform initiative requires approval by a number of political actors, they therefore constitute as many possible ‘veto points’ in the policy-making process, i.e. points which provide the opportunity for opponents to a reform to block its adoption (Immergut 1992a, Huber et al. 1993, Tsebelis 1995, Bonoli 2000, Swank 2000). Examples of such veto points, where reform initiatives can be blocked, are typically coalition governments, second chambers of parliament representing subnational entities in federal countries, popular referendums or Constitutional courts (Bonoli 2000). But depending on electoral results, they may also include the first chamber of Parliament when its majority is controlled by a different political camp than the one in government (Bonoli 2000).

Although political arenas that disperse decision-making powers only become veto points when dissatisfied actors make effective use of their opportunity to block reforms, it appears clear that some governments have more room to manoeuvre in imposing policy change than others, *ceteris paribus*. The UK has been, for instance, typically characterised as a country with a high degree of concentrated power, allowing the political party in government to impose reforms without having to worry much about their opponents<sup>16</sup>. In contrast, Germany and Switzerland have traditionally been depicted as prime examples of countries multiplying veto points, providing their governments with only weak capacities for bringing about policy change (Immergut 1992a, Bonoli 2000, Kitschelt and Streeck 2003).

Outside formal political institutions, several authors have also stressed that when it comes to welfare state changes, the existence of informal veto points may also strongly affect the

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<sup>16</sup> Some scholars of the politics of retrenchment have contested the assumption of a greater reform capacity of governments in systems that concentrate power. They argue that when it comes to unpopular benefit cutbacks, power concentration is not always an advantage for reform-minded governments. Because power concentration tends to concentrate accountability for reforms, it also increases the risk of electoral punishment. Conversely, because it diffuses accountability, power fragmentation may create greater opportunities for retrenchment initiatives as it allows governments to ‘share the blame’ or ‘pass the blame’ for cuts onto different levels of governments (Pierson 1994, Pal and Weaver 2003). However, this argument seems less relevant to this study, since organisational reforms are likely to meet with much less popular dissatisfaction than substantive benefit cutbacks.

capacity of governments to push for policy change. Such informal veto points can be found in corporatist institutions that allow social partners to participate in policy-making or even in the delegation of the administration of welfare state programmes to non-state actors. In both cases, the involvement of non-state actors implies that governments may have to consult, and even negotiate with them on reforms that touch upon their domains of influence (Ebbinghaus and Hassel 2000, Clegg 2005, Ebbinghaus 2010). The latter example means that, just like formal decision-making structures, power-sharing welfare state arrangements, through the autonomy and institutional legitimacy they grant to non-state actors, may also turn into *de facto* veto points (Kaiser 1997, Natali and Rhodes 2004: 1082, Clegg 2005: 42).

The characterisation of these two institutional arrangements as veto points is subject to controversy, however. For instance, several studies on the resurgence of social pacts have emphasised the constructive, rather than obstructive, role played by corporatist institutions in assisting governments in their reform strategies and helping their country get out of the economic crises of the 1980s and 1990s (Rhodes 2001, Hassel 2003, Crepaz and Moser 2004). From a different perspective, other authors have pointed to the more fragile nature of informal veto points compared to formal veto points, as they may always run the risk of being bypassed or not listened to by governments who do not wish to negotiate with them (Kaiser 1997, Ebbinghaus 2010: 261-262). Nevertheless, in labour market policy, there are reasons to believe that if a reform initiative seriously threatens the position of non-state actors involved in policy administration, these actors will at least try to exploit their informal veto powers to attempt to obstruct the reform initiative (more on this in the next section on the impact of welfare state institutions).

In the welfare state literature, institutional accounts emphasising the role of formal political institutions and social governance have been especially helpful in illuminating the persistence of distinct reform trajectories over time within individual countries and, from a cross-national perspective, the persistent inability of some developed countries to modernise and reform their welfare states. In this respect, the veto point literature<sup>17</sup> has regularly stressed that federalist institutions, in particular, have set clear limits to the growth and modernisation of welfare states (Immergut 1992a, Pierson 1995, Obinger 1998a, Swank 2000, Huber and Stephens 2001, Obinger et al. 2005)

More recently, as it became evident that even countries which had traditionally been depicted as the most resistant to change had actually managed to implement retrenchment initiatives, there has been a shift in interest towards the policy-making strategies developed by governments to increase the political feasibility of their reforms. Some authors have emphasised the positive role of *quid pro quo* governmental strategies, i.e. the combination of savings and expansive measures into one single reform package, in securing sufficient political and public support for reforms in change-resistant countries (Bonoli 2000, Schludi 2005, Natali and Rhodes 2008). Focussing on the legislative decision-making phase of the Hartz IV reform in Germany, Saalfeld (2006) illustrates how through a skilful timing, combination of various policy proposal into one large reform agenda (the so-called Agenda

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<sup>17</sup> This is particularly true for quantitative studies on the impact of political institutions. Qualitative studies have, for their part, equally stress the potential for policy innovation and the differing impact of country-specific federalist institutions (Pierson 1995, Obinger et al. 2005).

2010) and use of take-it-or leave-it threats, the Schröder government was eventually able to secure the support of the main opposition parties, even though it nevertheless had to admit substantial concessions. This example illustrates that, if power fragmentation does not completely inhibit policy changes, compensation strategies and political compromises always make ‘radical and unilateral reforms’ more difficult to achieve in such political systems.

In a similar vein, but in regard to pension policy, Häusermann (2010a) argues that multidimensional reform programmes, which simultaneously impact several dimensions of a policy such as the generosity of benefit levels, their financing mode, or the coverage of new groups, opens up opportunities for political exchanges and cross-class coalitions, and this even in the most change-resistant countries. Hence, even in times of austerity, the ability of governments to successfully exploit the multidimensional quality of policy reforms generates a potential for welfare state modernisation going beyond simple retrenchment politics.

The more recent literature linking political institutions with reform strategies has the advantage of shifting the focus away from actors as largely determined by the institutional context in which they evolve. It also, once again, sheds light on the importance of the multidimensional quality of reform programmes in modern politics. This is particularly obvious in Häusermann’s account. However, and even in more recent studies, it is striking that the role of political institutions is still predominantly analysed from the point of view of the (more or less important) constraints they impose on governments seeking to reform welfare state programmes. Even if governments are thought to be capable of creative and modernising strategies, they still have to deal with and overcome institutional barriers.

This is not to say that such institutional barriers do not exist. As this study will show, in most countries, governments seeking to restructure the provision of social and employment policies have found themselves confronted with tremendous political resistances in consultative and legislative phase. The point is simply that the literature on political institutions still fails to understand institutions as a possible source of change, and thereby, as a potential trigger for reform. In this sense, it leaves the question of the initial motivations prompting governments to undertake policy change largely unresolved. A central claim of institutionalist scholars has been that institutions not only structure the strength and strategies of actors, but also their preferences and goals. However, when considering only the role of formal and informal political institutions, it is difficult to see how they can determine the goals and policy preferences of political actors (Ganghof 2003). As conceived by Immergut when studying the role of political institutions to explain cross-national divergences in the development of health care systems, policy choices are largely formed outside of political institutions:

*“This essay (...) makes a clear distinction between political actors and their strategies versus the institutional frameworks within which this action takes place. The actors formulate their goals, ideas and desires independently from the institutions. The institutions become relevant only in strategic calculations about the best way to advance a given interest within a particular system”* (Immergut 1992b: 84-85)

One way, however, in which one can think of the way political institutions influence policy choices is when governments prefer the status quo over policy change in anticipation of the many institutional obstacles and vested interests to overcome in power-fragmented systems.

### ***Welfare state institutions: from constraints to sources of change***

Besides the strand of literature centred on the role of political institutions, a second body of institutionalist literature has stressed the structuring effects of welfare state institutions on future policy outcomes. In this regard, the concept of path dependence, according to which past policy programmes limit the scope and range of feasible policy changes, has established itself in the welfare state literature (see e.g. Pierson 2000, Torfing 2001, Peters et al. 2005). While the path-dependence approach still predominantly considers institutions as stable features constraining change, thereby enlightening us little on how change becomes possible, a more recent strand of literature has tried to reaffirm the transformative capacity of change.

#### *a. Path dependence, increasing returns and institutional interests*

The key idea behind the concept of path dependence is that institutional legacies of the past structure the range of future options for change, and over time, make radical departures increasingly difficult due to mechanisms of increasing returns generated by high set-up costs, learning, coordination and anticipation effects (Pierson 2000, Palier 2010b). Originally developed in economics to account for the persistence of sub-optimal technologies, the notion of path dependence gained popularity in politics in the 1990s under the influence of North (1990) (among others), who stressed the importance of increasing returns mechanisms for understanding institutional reproduction and change.

The process of path dependence is characterised by a self-reinforcing sequence of events. At each stage, the probability of reversals diminishes, because “the relative benefits of the current activity compared with other possible options increase over time.” (Pierson 2000: 252). The mechanism is twofold: On the one hand, welfare state programmes possess certain characteristics that make them technically very costly to change over time (this is for example, the famous case of pay-as-you-go pension systems, as its abandon would force a generation to make double contributions). On the other hand, because of their redistributive effects on the population and because of the political power they allocate to actors involved in their administration, policy programmes create, over time, vested interests that are likely to strongly resist any change that goes against their interests (Pierson 1993). The consequence is that, once a country has started down a path, it becomes increasingly difficult and costly to radically depart from it, limiting the scope and range of policy changes to essentially parametric adjustments. Radical institutional reconfigurations can take place, but only as a result of exogenous shocks (Pierson 2000, Ebbinghaus 2006, Mahoney and Thelen 2010).

There are good reasons to believe that organisational arrangements in the realm of social and employment policies may suffer from strong path dependent ‘lock-in’ mechanisms. First, changing organisational structures imply relatively high set-up costs and disruption in the



working routines of front-line staff who, in the case of service integration initiatives, will have to learn how to collaborate with staff coming from a different professional culture.

Second, the distributional effects on non-actors involved in policy administration are also very likely to produce path dependent obstacles to organisational reforms. As several scholars have noted, social partners, especially trade unions confronted with declining membership, partly derive their legitimacy in participating in national policy debates from their administrative role in the provision of insurance-based programmes (Streeck and Hassel 2003: 337, Clegg 2005: 41, Ebbinghaus 2010: 256). When it comes to social and employment reform debates, preserving their administrative positions is therefore likely to be as much important for them as protecting the interests of their core members. Clegg, for instance, argues that the development of activation policies in France, which *a priori* have a negative, 'recommodifying' impact on employees, actually found support from social partners because they left untouched social partners' self-regulation of the unemployment insurance system. In fact, the only times activation policies turned out to be controversial was when they challenged the fiscal and managerial autonomy of social partners (Clegg 2005: 271-272).

The same could be said for lower tiers of government involved in the administration of social protection, even when they do not possess a direct constitutional right to take part in national decision-making process. As noted by Pierson (1995), because social policy serves as an 'instrument of statecraft' and a source of political legitimacy, lower tiers of governments involved in the administration are equally rarely keen to abandon their institutional positions in social policy, except when financial pressures may force them to seek central intervention.

Altogether, the path dependent approach highlights the many impediments that governments may confront in their attempts to bring about organisational change in the way social and employment policies are delivered. If one follows path dependent arguments, then one would predict only low prospects for organisational reforms. Not only do mechanisms of increasing returns make these reforms inherently costly to implement, the institutionalised inclusion of social partners and lower tiers of government in the provision of social and employment services render any shake-up in the redistribution of administrative responsibilities particularly challenging in countries displaying a multi-tiered welfare state structure. Hence, far from explaining the reasons why organisational reforms took place, path dependent arguments rather illuminate the relevance of the puzzle of this study, which is why we observe the adoption of such reforms in spite of their high potential for institutional resistance (see chapter 1).

#### *b. Welfare institutions as opportunities for changes*

Since the mid-2000s, institutionalist accounts of welfare state changes have been increasingly criticised for being too deterministic, and failing to capture that institutions could transform over time and even drive policy changes. This gave rise to a second generation of institutional arguments, shifting away from a focus on institutions as obstacles to change to a focus on institutions as a source of change. The volume edited by Streeck and Thelen (2005a) represented the starting point of this second generation. It described several mechanisms of

‘gradual transformative change’, by which existing institutions are redirected or gradually abandoned to give way to new institutions.

More specifically, the volume identifies five modes of transformative institutional changes. In large part, these modes of change depict institutional change essentially as the unintended long-term consequence of institutional incoherencies and early political compromises. Whereas the mechanisms of change behind *displacement* and *layering* differ (rediscovery or reactivation of an old, marginal institution and the quicker growth of a new, secondary institution at the expense of the old institution), both modes of change describe a process by which a marginal institutional gradually come to discredit or supplant old established institutions. As for change by *drift*, it denotes the progressive erosion of the functions of an institution as a result of failure to actively maintain and adapt it to the changing environment. While the consequence of drift is institutional change, *exhaustion* as a mode of change ends with institutional extinction as a consequence of distorted behaviour or uses.

While in these four modes of change, institutional change essentially occurs without it being purposefully provoked by political actors<sup>18</sup>, the fifth mode of gradual change, *conversion*, suggests a more proactive role of political actors seeking to redirect an existing institution towards new goals, functions or purposes. As the authors suggest, the motives for such reinterpretations are various. They principally underline political disputes over the purposes or functions of an institution confronted with ambiguities and incoherencies. But they also briefly mention the simple willingness to adapt institutions to new institutional challenges or, more strategically, to direct institutions towards goals that better fit the interest of new actors (Streeck and Thelen 2005b: 38).

In contrast to much of the traditional institutionalist literature, this approach allows for reconciling institutions and change by stressing that institutions themselves, through their ambiguities and gaps, can act as a source of change. True, by taking institutional ambiguities as a point of departure, it can be argued that it comes close to the functionalist approach previously discussed in this chapter (cf section on the functionalist approach). And indeed, many of the institutionalist studies that took inspiration from Streeck and Thelen’s volume have implicitly endorsed a functionalist approach (cf e.g. Bonoli 2007, Clegg 2007, Hemerijck 2013).

Yet, Streeck and Thelen’s work somewhat widens the scope of institutional features that may become ‘sites of political contestation’ (Streeck and Thelen 2005b: 27). As they cautiously remark several times in their text, institutions not only change as a result of shifting environment or demands; they also change as a result of actors trying to redirect them in a way that better fits their goals and interests. Such a view therefore sheds light on what one can call ‘institutional goals’ as one potential motive for institutional change. Empirically, in the areas of social and employment policy, such a view seems to be corroborated by some studies showing that governments, when unable to negotiate policy change with social partners, have often attacked the organisational structure of social and employment policies in order to

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<sup>18</sup> When mentioning the role of political actors in these processes of institutional change, the authors rather emphasise epiphenomena like the cultivation of marginal institutions, non-decisions, or overextension of programmes.

curtail the policy-making influence of social partners (Ebbinghaus 2010). While I argue that such an understanding misses important aspects of the adoption of organisational reforms, it has nevertheless the advantage of steering attention away from a functionalist understanding of change as resulting from institutional gaps and ambiguities towards an understanding that incorporates governments' goals and motivations for undertaking reforms.

The emerging literature on institutional change offers one of the most promising avenues for understanding change from an institutionalist perspective. It successfully conceptualised the many ways in which institutions could serve as a resource and opportunity for change. In addition, compared to the functionalist approach, it also partially widens the scope of institutional features that may lead to their transformation by allowing political actors to have preferences and interests and reinterpret institutions in accordance with these preferences.

Yet, despite its many strengths, Streeck and Thelen's work remains relatively vague in explaining how actors define their interests or preferences for some policy choices over others, and where their motivations to take action come from. By and a large, it also under-theorises the political and electoral dynamics that may be at stake in institutional change. In fact, the various modes of institutional changes tend to convey a picture of institutional changes as relatively depoliticised processes, taking place outside electoral cycles and political struggles. While such a view certainly makes sense when analysing institutional transformation from a long-run perspective, it becomes, I believe, a critical gap when trying to make sense of why a particular reform reaches the political agenda at some point in time. Just like actors do not evolve in an institutionally neutral vacuum, they do not evolve in a politically neutral environment. As this study argues, analysing the rise of a particular solution necessitates the consideration of how the solution relates to its broader policy, institutional and political environment, and how governments evaluate its ability to fulfil their various goals in each of these dimensions. Before developing this argument in more detail, the following sections discuss the agenda-setting literature, as well as the literature on party goals (Weaver 1986, Müller and Strom 1999, Weaver 2000), which have sought to emphasise the multidimensional nature of politics and, in this respect, to link the rise of a particular policy solution to their political and policy environment.

#### **2.4. What makes an idea appealing? Agenda setting, governments' goals, and the multidimensional nature of policy decisions**

So far, the discussion has reviewed some of the most important theoretical approaches to explain welfare state change and discussed their potential to apprehend the reasons why organisational reforms geared towards integrated employment and social policies were embraced in several European countries. Taken together, they give a good sense of the various determinants that may have prompted, or hampered, organisational reforms. However, these theoretical approaches were primarily developed to account for *actual changes*, and as such, still partly fail to provide convincing accounts of the considerations and mechanisms underpinning governmental *initial decisions* to put organisational reforms on their political agenda, despite their many uncertainties and risks for would-be reformers.

As a consequence of its focuses on the cognitive factors shaping policy-makers' choices, the ideational literature is probably the most elaborate account in this respect. However, when making sense of the reasons that prompt governments to engage in a particular reform, it still largely falls back on a conception of policy-makers as implicitly driven by problem-solving considerations. Yet, even though one cannot completely separate decisions from the problems they are supposed to answer, it is also evident that decisions are never made in an institutional and political vacuum. Accordingly, they are also very likely to reflect the political and institutional agendas of those making it. Just like several ideational and institutional accounts have stressed that multidimensional reforms initiatives or ideas were better able to generate sufficient political support, I argue here that reform initiatives that are seen as able to fulfil several goals at the same time have greater chances of being taken up by governments.

In the political science literature, the recognition of the multidimensional nature of policy decisions is not new. For instance, the agenda setting literature<sup>19</sup> has built on the premise that the agenda setting of a policy idea is a process made up of several components (Peters 2001: 80), and is consequently far more complex than just a response to objective problem pressures. Taking a somewhat different focus, other political scientists have recently highlighted the various objectives underpinning policy-makers' decisions (e.g. Weaver 1986, Müller and Strom 1999, Weaver 2000). In this respect, they have all claimed that policy-makers are not just motivated by implementing their policy preferences or solving problems, but are also vote-seekers who can refrain from promoting their policy agendas if they run counter to their electoral or governmental position.

This section reviews these two approaches that differ substantially as to their focus (policy ideas on the one hand, and policy-makers' objectives on the other), but share a similar emphasis on the multidimensional character of political decisions. Because it explicitly seeks to explain why governments come to pay serious attention to certain issues while ignoring others (Green-Pedersen and Wilkerson 2008: 83), the agenda setting literature is of particular relevance for this study. However, just as various strands exist to explain welfare state development, it is made up of different approaches (Baumgartner et al. 2011). This study essentially draws on the multiple-stream model developed by Kingdon (1984, 1995), which explicitly explains the rise of new policy ideas as the product of the various stream convergence.

### ***The multiple stream model of agenda setting***

Drawing on the garbage can model developed by Cohen et al. (1972) in the context of organizational choice, the multiple stream model developed by Kingdon starts from the conception of political systems as a "garbage can" in which various kinds of possible policy solutions and problems are floated, attracting more or less consideration over time depending on the flow of participants drifting in and out the decision-making process with their own concerns or self-interest in promoting certain policy ideas (Kingdon 1995: 85). In this

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<sup>19</sup> The agenda setting literature has primarily developed within public policy analysis. It has, however, never been a central approach within the literature on welfare state development. Rare are the studies that use an agenda setting framework to explain the adoption of welfare state changes.

process, policy-makers may ignore important problems, or begin to devote attention to a problem without having a solution to it, or even develop policy solutions without any pressing problem to solve.

Against this backdrop, a government's decision to put a policy solution on its political agenda is less a direct response to a pressing problem than the product of the confluence of particular circumstances at a particular time. More specifically, Kingdon defines three "streams" that must come together for a policy solution to get onto the political agenda: the problem stream, the policy stream and the political stream. These three streams are considered as operating largely independently from each other, according to their own dynamics. However, when they converge and "a problem is recognised, a solution is available and the political climate makes the right time for change" (Kingdon 1995: 88)<sup>20</sup>, then the probability that the policy solution in question gets serious attention by the government and is pushed onto its political agenda is dramatically increased.

The simple convergence of the three streams is not a guarantee that a policy solution gets onto the government's agenda, however. For this to happen, two elements are of great importance according to Kingdon. This is first the presence of *policy entrepreneurs*, willing to invest their energy and resources in return for future policies they favour (Kingdon 1995). Most of the time, they have key positions in the administration or governments (Majone 2006); in some cases, they may be also actors out of government such as representatives of interest groups or research organisations with the ability to get heard. However, they all have in common that they are committed to push ahead the policy initiative and play a decisive role in coupling solutions with problems.

The second element is the opening of *windows of opportunity*, which policy entrepreneurs can use to enter their concerns into the political debate and couple the three streams. Policy windows can open either in the problem or political streams. In principle, the *problem stream* contains all the problems that surround the political environment. However, not all problems are likely to get recognised politically. Because of the complexity of the world and the scarce resources of policy makers, Kingdon notes that only a small proportion of problems are actually paid serious attention by policy-makers. Their recognition as pressing problems is therefore less simply a matter of objective conditions than a matter of interpretation. The interpretation of a condition as a pressing problem may be influenced, in turn, by particular developments such as the release of powerful indicators or the outburst of crises that contribute to capture policy-makers attention on a problematic condition (Kingdon 1995: 109-115). While under normal circumstances, advocates of a policy proposal may invest considerable time and energy to bring their issues to public and governmental attention without success, dramatic indicators or events open up valuable opportunities for them to get a problem recognised and push for their favoured solutions.

But windows of opportunities may also open in the *political stream*. As defined by Kingdon, the political stream is composed of changing circumstances in the political context of a country, such a public mood (i.e. evolution of public concerns), election results, partisan and

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<sup>20</sup> In Kingdon's view, all three conditions need to be met for a policy idea to be endorsed by government. Its chances to become reality are largely reduced if one condition is missing.

ideological distributions in Parliament, changes of administration and pressure group campaigns (Kingdon 1995). The political stream is thus essentially viewed in situational terms, as only aspects which have a potential for change over time are considered in the model (Mucciaroni 1992). Public mood broadly refers to changes in public opinion, the more or less positive reactions to new ideas. Elections bring about changes in the composition of Parliament and government, and alongside, changes in senior officials in administrations. These turnovers not only bring about renewal in the issues and subjects of interest, but also bring to the fore new political leaders seeking new policy solutions to champion (Elder and Cobb 1984: 126). For advocates of policy solutions that respond in some way to the new political and administrative sensitivity, elections and administrative turnovers therefore create unique opportunities to propel their favoured issues (Kingdon 1995: 174). However, Kingdon acknowledges that political shifts may also have the opposite effect, since they may generate a sense of competition and battles for turf between administrations, thereby delaying or blocking the rise of a policy solution on the government agenda (Kingdon 1995).

According to Kingdon, developments in the problem and political streams are therefore important conditions for a policy proposal to be pushed on to the political agenda of a government. However, as Kingdon argues, governments are more likely to take up a policy proposal and put it on its *decision agenda*, that is the list of proposals and issues that are up for action, if the three streams can be coupled together. In other words, if a problem window opens, only those policy proposals that are also congruent with the political situation and sensitivity of the moment will be considered. Alternatively, in the case of a political window of opportunity, a policy proposal that cannot be attached to a problem regarded as pressing will have few chances to get serious political attention (Kingdon 1995: 175).

In addition, Kingdon stresses that not all policy solutions can reach the political agenda. The *policy stream* contains all policy solutions that have been raised by communities of specialists or policy actors. Those solutions are more or less feasible and costly, but solutions perceived as acceptable in the context of available resources have a greater chance of survival and gaining the support of key policymakers. Equally writing on agenda-setting processes, Elder and Cobb (1984) note that historical and cultural understandings, but also available technologies and comparative knowledge on the way solutions work elsewhere matter a lot in the definition of what is commonly thought possible.

### ***Strengths, drawbacks, and suggested adaptations***

Kingdon's agenda setting approach has several strengths. First, by considering problems and solutions as disconnected spheres and stressing that solutions are developed largely independently of the existence of problems, the model refutes functionalist assumptions according to which solutions are only generated when there is a pressing problem to solve (Béland 2005, Mehta 2011). According to the multiple-stream model, problems do not impose themselves on governments. On the contrary, it is more often the case that problems are recognised as such only after a credible policy solution is available or that policy solutions are developed waiting for problems that can be attached.

Second, by pointing to the importance of the confluence of policy solutions with the problem and political streams in agenda setting processes, the model recognises the complex and multidimensional character of the process by which policy solutions reach the political agenda (Elder and Cobb 1984, Baumgartner et al. 2011: 117). Rather than trying to isolate one single origin for the rise of a policy solution on the governmental agenda, the model starts from the conception of agenda-setting as the product of a complex combination of factors (Kingdon 1995: 76), including how policy solutions relate to both political and socio-economic circumstances.

Third, although Kingdon admits the existence of some political constraints, his model largely avoids the institutional determinism that prevails in much of the institutionalist literature. Rather, by emphasising the active role of policy entrepreneurs and conceiving constraints as situation-based and fluctuating, the model allows for opportunities of changes even in the most change-resistant political systems (Elder and Cobb 1984, Mucciaroni 1992).

Finally, a last strength of the multiple-stream model is that it offers a flexible view of policy-makers' preferences for some policy solutions. Unlike traditional rationalist conceptions of policy-makers acting on the basis of fixed preferences, the model postulates that policy-makers very often discover their preferences for some policy solutions through action and evolving circumstances (Cohen et al. 1972: 85, Kingdon 1995). This does not mean that political actors do enter into office without any preferences. They have some preferences and goals, but these are relatively loosely defined, leaving room for adaptations and reorientations over time.

In spite of these many strengths, the approach has also a number of serious limitations, the most significant one perhaps being the assumption that the three streams operate largely independently from one another (cf Kingdon 1995: 19). As mentioned in the first edition: "Policy proposals are developed according to their own incentives and selection criteria, whether or not they are solutions to problems or responsive to political considerations." (Kingdon 1984: 92-93). If one takes such an assumption seriously, one could go almost so far as to claim that a complete outsourcing of benefits and employment services could have been chosen by policymakers to address problems emerging regarding the separation between benefit provision and employment service provision. Empirical evidence shows that this has not been the case in Europe.

Yet, if the assumption of a strict independence appears unrealistic, this does not mean that Kingdon's model is not insightful. In his critical appraisal of the model, Mucciaroni (1992) concludes that the multiple stream model is made more compelling if one thinks of the streams as connected to each other. In this way the hypothesis turns from the relatively contingent conception that "an idea gets on the political agenda if a problem is recognised, a solution available, and the political conditions are right", to a more purposeful conception of agenda setting. The hypothesis would be that the policy solutions most likely to reach the political agenda are those that exhibit stronger congruence with the problem and political streams. In this way, policy solutions are not chosen simply because of favourable political conditions, but above all because they 'fit well with the perceived needs and motivations of policy-makers' (Mucciaroni 1992: 174).

In a way, such a reinterpretation is close to the argument developed by Peter Hall in his *early* work on the adoption of Keynesian policies (1989), which tries to explain the rise of an idea by looking at its features (Mehta 2011). In this analysis (which precedes his policy learning argument), Hall suggests that three features of Keynesian policies were critical to their adoption: their policy viability (an idea has the potential to solve an existing problem), their administrative viability (the idea fits with administrative preferences of civil servants and seems feasible in the light of the administrative capacities of the state) and finally their political viability (the ability of an idea to speak to various interests and forge political coalitions). Similarly to Kingdon’s model, Hall argues that these three dimensions need to be present for an idea to be turned into policy. However, by stressing that the attractiveness of an idea is dependent on how its attributes fit with the political and economic circumstances, Hall’s analytical model somewhat avoids the more random selection of policy solutions in Kingdon’s multiple stream model.

**Figure 2.1: Policy ideas and the three streams in the agenda-setting literature**

Kingdon (1995) Multiple stream model	<i>Problem stream</i> Recognition of pressing problems facilitating by: - Powerful indicators - crises	<i>Policy stream</i> Selection and refinement of the most feasible policy solutions	<i>Political stream</i> Search for new ideas prompted by: - Changes in public mood - The election of new government
Hall (1989), The political power of economic ideas	<i>Policy viability</i> Perceived ability to solve policy problems	<i>Administrative viability</i> Perceived feasibility in light of administrative capacities & traditions	<i>Political viability</i> Political appeal in the broad political arena, capacity for political coalitions

However, one major drawback of both models of agenda setting remains, which is, that the political sphere is very poorly specified. As mentioned above, the multiple-stream model considers the political environment essentially in situational terms (changes in the composition of the government and parliament resulting from election, public mood, etc.). Conversely, for Hall, the political environment is often reduced to the political attractiveness of a policy solution. Here emerges one of the major drawbacks of the agenda setting literature, which is its relative ignorance of policy-makers’ interests and motivations. Kingdon’s emphasis on policy-makers’ interests or motivations for pushing through a particular idea is rather weak, not to say non-existent (Kingdon 1995: 85, Bundgaard and Vrangbaek 2007). Similarly, it is only in his conclusion that Hall mentions the role of institutions and political interests for the emergence of Keynesian ideas: “If the Keynesian case demonstrates that ideas have a real power in the political world, it also confirms that they do not acquire political force independently of the constellation of institutions and interests already present there.” (Hall 1989: 390).



One reason for this might come from the agenda setting's conception of policy-makers as discovering their policy preferences through their actions. Such a conception is appropriate when it comes to particular policy solutions since governments rarely arrive in office with a clear idea of all the reforms they will eventually adopt during their legislature. However, it would be wrong to think that governments arrive in office without any broad policy commitments or political interest in getting re-elected. In this sense, in my view, their attention to particular policy solutions cannot be completely separated from these two broad sets of government preferences.

Despite strong criticisms by ideational scholars to approaches that consider ideas to be mere tools with which to achieve political objectives (see e.g. Schmidt 2008), several authors have argued that considerations of institutions (policies) and power are crucial for understanding the rise of certain policy solutions on to political agendas (Berman 2001, Lieberman 2002, Béland and Cox 2010). From that perspective, they have called for a more sophisticated examination of how ideas, policies and considerations of power interact to shape the likelihood that a government will embrace new policy solutions (Berman 2001: 237).

The next section deals with a strand of political science literature that has equally emphasised the multifaceted nature of policy decisions, but from the perspective of policy-makers' goals. Unlike the agenda setting literature which stresses the confluence of dimensions in policy decisions, this literature mostly conceptualises policy-makers' choices for particular policy solutions as a product of painful trade-offs between electoral and policy goals. To a large extent, this is due to the fact that this literature emerged as an account of the adoption of retrenchment initiatives. However, it also suggests that there exist policy solutions which can fulfil several goals at the same time, and that governments are generally more attracted to policy solutions that are congruent with their multiple goals.

### ***The literature on party goals: Trade-offs in hard times***

Over the past twenty years, there has been a growing body of political scientists investigating policy decisions in austere times from the point of view of the multiple and sometimes conflicting goals that political leaders may pursue. In this respect, one influential work is Müller and Strøm (1999), which argued that political parties were not only policy-seekers, but also vote- and office-seekers, but had sometimes to renounce to one of their objectives to achieve their ambitions on the others. In the welfare state literature, such studies have been closely associated with the study of welfare state retrenchment, and have been originally expressed in terms of credit claiming versus blame avoidance motivations (Weaver 1986, Pierson 1994, 1996, Weaver 2000, Bonoli 2012b). Although not directly referring to the agenda setting literature, this body of literature has nevertheless been preoccupied with one similar issue, namely how policy-makers come to make difficult policy choices, and which motivations inform their decisions.

In the welfare state literature, Weaver (1986) was one of the first authors to develop the twin concepts of blame avoidance and credit claiming. He begins his seminal article on the politics of blame avoidance by distinguishing between three broad types of motivations that can influence policy-makers' policy choices: electoral motivations to 'claim credit' with large

parts of electorates for reforms undertaken in their interests; ‘good policy’ motivations, meaning that policy-makers will choose to act for what they see as the nation’s well-being even if there are no electoral gains to achieve; and finally, blame avoidance motivations in the case of reforms that can generate public dissatisfaction (Weaver 1986: 372). Blame avoidance is described as a second type of electoral motivation, but which differs from credit-claiming motivation essentially on the strategies it requires from governments<sup>21</sup>.

Starting from this distinction, Weaver (1986) and also later Pierson (1996), argue that there are profound differences in the political goals at stake between extending benefits to large numbers of people and cutting benefits. While during the phase of welfare state expansion, undertaking reforms tended to provide governments with the opportunity to simultaneously combine electoral gains with good policy motivations, this is no longer the case in an era where reforms are synonymous with unpopular benefit cutbacks and cost containment measures. Because voters tend to exhibit a ‘negativity bias’ (Pierson 1996: 146) and tend to react more strongly to the losses they suffer than to their potential gains, any exercise of this type is therefore likely to be severely sanctioned by voters at the next election polls.

Assuming that one of the goals of governments entering into office is to get re-elected, then they will have little choice but to try to keep unpopular reforms off the agenda, or select the policies that best minimise political risks. If there is no possibility to avoid politically risky reforms, governments may still attempt to develop strategies aiming to obscure the visibility of unpopular cutbacks or to hide their responsibility in the adoption of such reforms (Weaver 1986, Pierson 1996). In sum, when it comes to unpopular reforms that pose a high risk of electoral punishment, Weaver and Pierson argue that blame avoidance becomes the guiding principle in policy-makers’ selection of policy solutions.

The emphasis put on blame avoidance strategies in the politics of retrenchment suggests that radical retrenchment is most unlikely and that retrenchment is always associated with negative electoral consequences. Yet, as it happened, since the mid-1990s, many European countries did retrench the welfare state, sometimes in radical ways, and some governments even made use of retrenchment measures as credit-claiming devices to highlight their commitment to balanced budgets, fiscal responsibility or even their ability to take painful measures if necessary (Bonoli 2012b). As a result of such unexpected retrenchment, scholars interested in policy-makers’ goals turned to explanations centred on trade-offs between policy- and vote-seeking goals, especially for Social or Christian Democrat parties (cf Müller and Strom 1999). They showed that, in a context marked by permanent austerity, both parties were at times forced to sacrifice their preferences for generous welfare state programmes (i.e. their policy-seeking goals) in order to enter into a government coalition or regain credibility among right-wing voters. In short, they demonstrated that major retrenchment could take place in some countries because the two parties traded their policy objectives for gaining votes and ensured their position in government (Green-Pedersen 2001, Kitschelt 2001, Schumacher 2011).

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<sup>21</sup> In my view, it is difficult to consider ‘blame avoidance’ as a genuine motivation for government to undertake reforms. It looks more like a strategy used by governments to get an unpopular policy choice adopted more easily.

As these examples highlight, the literature on political parties' goals is marked by a certain bias towards necessary trade-offs between competing objectives. This is perhaps best illustrated by Müller and Strøm's statement that parties 'rarely have the opportunity to realise all of their goals simultaneously' (1999: 9). While explanations in terms of trade-offs between policy- and vote-seeking goals can particularly well apply to retrenchment initiatives championed by centre-left, pro-welfare parties, it is more difficult to assume that all reforms necessarily imply trade-offs between competing objectives. In a more recent study, Weaver recognises that while policy-makers often face trade-offs, they are more naturally drawn to make policy choices that come closer to their policy objectives, offers chances to claim credit, while incurring little risk of blame (Weaver 2000: 32-33)

And indeed, welfare state reforms over the past twenty years have not only been about explicit or disguised retrenchment. In fact, several examples of welfare state reforms suggest that their adoption owed much to the opportunities they provided for governments to pursue simultaneously their pro-welfare policy agenda and vote-seeking goals. Bonoli (2012b, 2013: 169-172), for instance, notes that this has been typically the case of the development of childcare and activation policies. As it appears, such reforms combine many attributes that make them particularly attractive to governments eager to show their pro-welfare commitment and secure broad electoral support at the same time. On the one hand, these reforms have strong positive connotations, and can easily be championed as measures of welfare state expansion and modernisation. On the other hand, compared with more classical expansionary measures such as increases in benefit generosity, they are considerably cheaper and more visible due to their innovative character. In addition, they are also sufficiently flexible so as to allow centre-right parties and the electorate to see their advantages in terms of labour market participation and benefit dependency (through notably their demanding aspects). In this sense, it can be said that activation policies displayed many features that enable governments to reconcile their pro-welfare policy commitments and vote-seeking goals, and which largely contributed to their rise on to political agendas.

#### *a. Attractive policies and political parties*

If one assumes that political parties arrive in office with a distinct set of policy preferences, then one can also assume that the same policy will not exhibit the same level of attractiveness for left and right oriented parties. In his analysis of the rise of activation policies, Bonoli (2013: 172-175) notes that opportunities offered by these policies to reconcile policy- and vote-seeking goals seem to have, above all benefitted Social-Democrat parties which, when they returned to office in the 1990s, found themselves confronted with the difficult dilemma of maintaining pro-welfare positions in a socio-economic context inimical to traditional redistributive policies. Activation policies therefore provided them with a valuable opportunity to distance themselves from their long-standing negative image of financially irresponsible parties while maintain their distinctive mark of pro-welfare parties striving for welfare state modernisation. In contrast, as Bonoli (*ibid.*) argues, because activation policies also entail some demanding elements, their credit claiming potential seems less important for centre-right governments, which may be more easily suspected of using activation policies as

a disguised form of retrenchment. This therefore suggests that, despite the high propensity for activation policies to receive cross-party support, their degree of political attractiveness is at least partly contingent on political parties in power and their political dilemmas.

Whether this is the case for organisational reforms is at this stage still open for discussion. On the one hand, as we will see in the next section, organisational reforms towards integrated social and employment services also display many of the features of activation policies rendering them particularly attractive to Social-Democratic governments eager to reconcile various policy- and vote-seeking goals. On the other hand, at empirical level, we have seen that organisational reforms were pushed by both Left and Rightist governments.

## **2.5. Towards a ‘multiple goal’ model of policy decisions**

Compared to classical welfare state theories, the multiple stream model of agenda setting and the literature on party goals offer valuable insights into the reasons why governments come to champion certain policy solutions while ignoring others. In this respect, both of them point to the multidimensional nature of governmental decisions, suggesting that policy solutions ability to fulfil several conditions at the same time (Campbell 2002: 33) significantly increases their political attractiveness and, by the same token, their likelihood to be picked up by governments. In so doing, both literature strands take a step back from dominant rationalist conceptions of solutions generated mainly with a view to solving emerging pressing problems.

In this section, I therefore loosely build upon these two accounts to develop my argument of the reasons why many European governments engaged in organisational reforms aiming to integrate the provision of social and employment policies in spite of high uncertainties and political risks. From Kingdon’s multiple stream model, I retain the element that the rise of such reforms is most likely to reach the political agenda when several conditions are met in different areas. However, unlike Kingdon’s model, which tends to overlook how a policy solution fits with broader developments in the problem and political streams, I contend that the choice of a particular policy solution over other alternatives cannot be completely separated from these developments. Then, from the literature on party goals, I retain perhaps most basically that governments generally pursue simultaneously goals of different kinds, policy- and vote-seeking goals being perhaps the most obvious ones, and that the pursuit of these goals may matter tremendously in the choice of particular policy solutions. Finally, I retain from this same literature that, although often facing difficult trade-offs, policy-makers are inherently multiple objective seekers, and are therefore more naturally drawn to solutions that may allow them to reconcile their various goals at the same time.

Loosely inspired from this, my general hypothesis, which is further developed at the end of this section, is that one can perhaps best understand the adoption of organisational reforms towards integrated services delivery from the point of view of the opportunities they provide for governments to achieve several of their goals simultaneously. By significantly increasing the prospects of gains to be made from such reforms, the perceived opportunity to reconcile

several different goals with these reforms may in turn help explain why governments were able to go over all their uncertainties and risks.

Each in its own way, the multiple stream model and the literature on party goals have highlighted the importance of policy and electoral considerations in the choice of policy solutions. In what follows, I expose in greater details the various goals that can be theoretically pursued through organisational reforms.

### ***Sorting out the potential goals of organisational reforms***

As outlined in chapter one, the mainstream view of organisational reforms has been that they have been adopted mainly in order to sustain a more effective implementation of activation policies, and, from ‘good government’ point of view, to improve public sector efficiency and responsiveness by cutting out duplications and offering more accessible and user-friendly services. But within the welfare state literature which has dealt with the issue, it has also been stressed that organisational reforms towards integrated services have sometimes had important consequences on welfare state arrangements, leading to significant reshuffling of administrative responsibilities between state and non-state actors (van Berkel et al. 2011b). Then, although not directly referring to the issue of coordination, it has been commonly acknowledged among authors who have written on the politics administrative reforms that, if organisational reforms are most commonly defended for economy and efficiency reasons, their chances of effective adoption are probably greater when they are pursued for policy or symbolic purposes (Salamon 1981, Fesler and Kettl 1991, Peters 2010)

Based on the insights provided by these distinct strands of literature, but also from the literature on party goals, one can imagine, beyond managerial motivations, three broad types of goals that can be potentially pursued through organisational reforms in social and employment policies. These are policy goals, and more specifically, in our context, activation policy goals, electoral (symbolic) goals, and finally institutional goals.

#### *a. Activation policy goals*

Activation policy goals are perhaps the most obvious type of goals. They have been at the centre of justifications and academic explanations for the adoption of organisational reforms geared towards integrated services in social and employment policies (see chapter one); and it is not the purpose of this study to refute that they have been a fundamental component of integration efforts. Without the turn to activation policies in European welfare states, such reforms would have perhaps not emerged, or at least not in their current form, inasmuch as they have always involved employment-related services. In this sense, it could be said that goals related to the development of activation policies have constituted a necessary (but not sufficient) condition for the emergence of organisational reforms to integrate delivery structures for social and employment policies.

Problem-solving objectives belong principally to this category of goals, and aim to remedy the failures of existing fragmented organisational structures to successfully implement activation policies. One frequently mentioned problem has been, for instance, the separation

of the tasks of benefit administration and employment services, which may be an obstacle to the objective of making benefit receipt more conditional on job search activities and the participation in labour market programmes (greater conditionality of income support). Another type of problem commonly raised is the weak capacity of organisations delivering social assistance and incapacity benefits to provide quality activation programmes to their beneficiaries, which undermine governments' commitment to extend activation policies and employment-related support to all categories of jobless benefit claimants (van Berkel 2010, van Berkel et al. 2011a). Ensuring a greater conditionality of income support and an effective extension of activation policies to all jobless benefit claimants beyond considerations of status therefore constitute two important examples of activation policy goals.

*b. Electoral (vote-seeking) goals*

Activation policy goals are certainly central to the adoption of organisational reforms towards integrated services delivery. But, in line with the common claim within the literature on the politics of administrative reforms that administrative reorganisations are often announced and pursued for the symbolic purpose of improving its political image for electorates discontented with the government apparatus (Fesler and Kettl 1991, Peters 2010, Pollitt and Bouckaert 2011). One can imagine that, besides activation policy goals, the search for electoral benefits constitutes another motivation for governments to engage in organisational reforms intended to produce integrated service delivery. Such reforms display several features that are likely to make them prone to electoral, credit-claiming considerations. First, organisational reforms seeking greater coordination and integration of services have an extremely positive connotation (Christensen et al. 2007: 405). Whatever one's political affiliation, it is hard to object to attempts at making services more efficient, accessible and user-friendly. In the same vein, in the field of social and employment policies, the fact that organisational reforms towards greater coordination can be presented as a means to offer more individualised support to jobseekers constitutes another feature that is difficult for opposition parties to refute, especially when it is linked with administrative cost savings and higher rates of re-employment among jobseekers in the labour market. Hence, organisational reforms towards coordination may combine several fundamentally positive elements, which, taken together, may contribute to make them electorally attractive.

Organisational reforms exhibit another feature that makes them prone to electoral credit claiming goals. This is the possibility to present them as comprehensive changes. Because far-reaching administrative reorganisations, like a merger between agencies, involve significant changes in service provision, such reforms are often used by governments who wish to show that they are addressing a problem and are concerned about how these problems impact people (Peters 2010: 323, Pollitt and Bouckaert 2011: 6). Moreover, because they affect above all organisational arrangements and not cash benefits, such reforms are relatively cheap in the long-term. As noted in chapter one, organisational reforms may prove very costly in the short-term due to implementation costs and organisational rigidities, but over time however, the financial burden that they may represent will tend to be very low compared to even a minor increase in the generosity of or the access to particular transfer programmes. Hence,

like activation policies, organisational reforms aimed at integrated service delivery seem to entail a strong potential for ‘affordable credit claiming’ (Bonoli 2012b, 2013), i.e. the opportunity to improve a government’s public image by claiming credit for ‘big’ reforms which are at the same time little costly for public budgets in the long term.

While these examples show that there may be good reasons to see electoral goals in the adoption of organisational reforms towards integrated service delivery, there are some situations that seem to be more conducive to the pursuit of such goals than others. As some authors have argued, the symbolic vote-seeking use of organisational reforms to show that ‘something important’ is being done in the area has great chances to apply in situations when governments have little else to do or when they prove incapable of imposing other substantive changes (Peters 2010: 160). For instance, in a recent study on the political choice between substantive or organisational social policy reforms in Denmark since the 1950s, Elmelund and Klitgaard (2012) show that governments tended to opt for organisational changes essentially in periods of economic prosperity, and this indifferently of the political colour of governments. Finally, while the symbolic use of organisational reforms is by no means a new phenomenon, it seems to have gained prominence in the 1990s and 2000s in reaction to a growing political public discontent with governments and the messy bureaucratic apparatus. The consequence has been a growing interest of governments in organisational reforms seeking to bring about more responsive and transparent services in view to restoring public confidence (Van de Walle and Bouckaert 2003, Pollitt and Bouckaert 2011: 8).

All in all, together with activation policy goals, the symbolic vote-seeking function of organisational reforms may constitute compelling reasons for governments to engage in such reforms in a context where short-term efficiency gains are very uncertain (Salamon 1981, Peters 2010). As Guy Peters (2010: 161-162) claims in a somewhat bombastic way, one reason why governments continue to invest energy in organisational reforms despite uncertain efficiency gains is because such reforms are ‘too appealing and too obvious’ for governments to simply stop. This does, however, not necessarily mean that electorates will effectively note and be receptive to organisational reforms towards integrated services. In reality, as any technical reform which does not affect directly their social and financial well-being, the integration of the provision of social and employment policies may well go unnoticed by the electorate. This does not impede, however, that governments may nevertheless see in them an additional opportunity for electoral profiling.

### *c. Institutional goals*

Finally, to the policy and vote-seeking goals should be added a third goal, which one could call institutional goals, and which is mainly concerned with changes in the existing welfare state structures. As seen in section 2.3 on institutional changes, the way institutions are organised may be a source of incentives for governments to change them. And indeed, several authors have pointed out that organisational reforms have often arisen alongside a redistribution of responsibilities for the provision of benefit schemes and employment services. In many countries, the resulting outcome looks like a ‘centralised decentralisation’, whereby lower tiers of governments are granted greater administrative responsibilities and

states have tightened their central control and oversight (Pollitt and Bouckaert 2004, Eichhorst and Konle-Seidl 2008, van Berkel et al. 2011a). Conversely, organisational reforms have sometimes resulted in a weakening of the administrative role of social partners or lower tiers of governments in the delivery of unemployment-related benefits. While authors have seldom gone so far as arguing that organisational reforms have been deliberately used by governments to increase their influence and power in social and employment policies, one can nevertheless imagine that the search for increased central control constitutes one motivation for engaging in organisational reforms (Preston 1984).

Apart from interest in increased power, ‘blame avoidance’ for failures in employment policy may be another important institutional motive for governments to engage in organisational reforms (Pierson 1995, Peters 2010: 290). Even in cases where central governments have delegated policy implementation to non-state actors (like local governments or social partners), central governments are most frequently blamed in cases of failures of policies to deliver promised results<sup>22</sup>. For governments to have experienced this, organisational reforms may therefore represent a good opportunity to restore their power over policy implementation or, conversely, to delegate political responsibility to other actors.

To sum up, besides the most evident policy goal of supporting the development of activation policies, one can distinguish two more goals that may be pursued through organisational reforms. These are electoral and institutional goals. Even though these goals are less often openly claimed than are activation policy goals, it is argued here that they nevertheless play a decisive role, and that organisational reforms are more likely to occur when governments perceive an opportunity to achieve one of these two goals on top of activation policy goals.

### ***The argument: Organisational reforms as an opportunity to achieve several objectives simultaneously***

Building on the three broad types of goals identified above, we can conceive of organisational reforms as composed of three different sets of goals (see figure 2.2). First is the set of activation of policy goals, which, as discussed above, has undoubtedly constituted one central motivation for undertaking organisational reforms; second are the electoral credit-claiming goals; and third are institutional goals. With the exception of institutional goals, activation policy and electoral goals broadly coincide with the distinction between policy- and vote-seeking objectives identified in the literature on party goals, and to some extent also with the distinction made in the multiple stream model between the problem and political streams<sup>23</sup>.

Starting from this conceptualisation, we can make several preliminary observations in accordance with the multiple-stream model:

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<sup>22</sup> Although in federal countries where constituent units have traditionally endorsed important functions in employment policy (this is typically the case of Switzerland), public blame is probably most frequently expressed at this level.

<sup>23</sup> The policy stream mainly refers to the administrative viability of a reform, and as such, has more limited links with our argument centred on potential goals (figure 2.1 gives a short overview of the three streams as described by Kingdon).



*First*, though connected to each other, the three streams have, partly, their own logic of development, with their own agenda and problems. For instance, problems arising in the institutional stream are not necessarily connected to developments in activation policies. Of course, they are intrinsically related to each other when policy-makers consider the fragmentation of welfare state structures as problematic to pursue their activation agenda. But, as we have just seen, governments can also seek to revamp welfare state structures for other reasons that are largely disconnected from activation policies. This is the case when the motivation to change the existing organisational structure is found in the desire to curtail responsibilities allocated to social partners or lower tiers of governments, or when governments seek to decentralise political responsibility in order to shift the political blame for failed employment policies. As we can see, these concrete institutional goals that may be pursued with organisational reforms have little to do with activation policy goals. They rather denote a long-term oriented desire to redefine the balance of responsibilities and improve the position of the central state vis-à-vis other actors in the area of social and employment policy.

Similarly, electoral goals and credit claiming opportunities appear a priori only little connected to activation policy and institutional goals. They rather relate to a broader commitment of governments to improve their political image vis-à-vis the electorate. As already mentioned previously when listing the various possible goals behind radical coordination initiatives, such reforms may provide a good opportunity for governments to claim credit for better public services in the realm of the welfare state, and more generally, to promote themselves as ‘virtuous’ reformers of the bureaucracy.

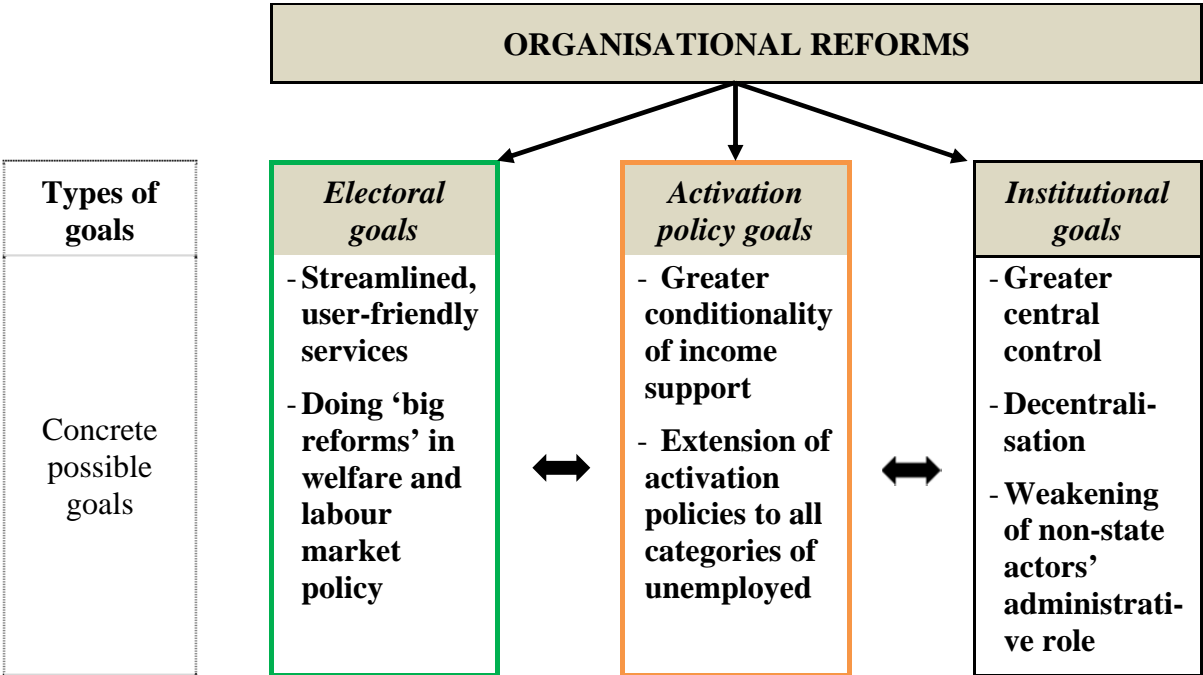
*Second*, but closely related to the first point, we assume governments or key policy-makers to have specific goals or ambitions for each of the three streams. These goals are, however, neither fixed nor given, nor defined independently of the actors as rational choice approaches would assume (see e.g. Thelen 1999, Béland and Cox 2011). Rather, like in the multiple-stream model, they are to be understood as situation-based and partly contingent on changing circumstances in the corresponding arena. This means that governments come to define their policy preferences and motivations to a large part in response to the developments and problems arising in the three streams. Again, this is not to imply that political actors act completely free from broader policy preferences or political interests, but rather that, when it comes to specific policy solution uptake, their preferences are essentially formed on the basis of the meaning they give to their situation and the circumstances of the moment. That is why I call them here ‘goals’ rather than ‘interests’ which tend to be connoted with fixed sets of preferences.

*Third*, the three streams may not have the same importance in all countries. While it is true that in all countries, the adoption of organisational reforms has been more or less closely connected to activation policy objectives, this is not true for the two other arenas. For instance, institutional goals are likely to be negligible in countries, such as the UK, which display a fairly unified organisational structure with non-state actors assuming only minor administrative. They are, however, more likely to operate in Scandinavian countries, where social partners have been traditionally key actors in the administration of unemployment benefits, and municipalities have historically endorsed broad responsibilities in the provision of other income maintenance benefits. Institutional goals are equally very likely to emerge in

federal countries due to the extensive financial and administrative (and even regulatory in the case of Switzerland) responsibilities of lower tiers of government in social assistance.

Conversely, one can suppose that electoral and credit claiming goals are more likely to be mobilised in countries in which power is concentrated in the hands of executives as opposed to power-fragmented countries. Indeed, as Schmidt (2008) suggests, political institutions have an impact on governments’ capacity and need for framing a reform in positive terms. In power-concentrated systems such as the UK, where choices and decisions tend to be made unilaterally by the single party in power, communication with the public tends to be more elaborate in order to avoid significant electoral sanctions<sup>24</sup>. In contrast, in political systems with a greater power fragmentation, the fact that governments’ policy choices often end up diluted by political negotiations with the opposition or lower tiers of governments makes it more difficult for governments to frame positively the improvements in the quality of services to the population and claim credit for complex reform outcomes. Therefore, electoral and institutional goals seem to be somewhat mutually exclusive objectives.

*Figure 2.2: The various goals behind organisational reforms towards integrated services, possible combinations and the nature of choices*



<sup>24</sup> This somehow corresponds to the argument made by Pierson (1994) that because power-concentrated political systems also concentrate accountability, governments are more vulnerable to electoral punishment.

Based on these preliminary remarks and the distinction between the two streams of electoral and institutional goals coming on top of activation policy goals, my hypothesis is the following:

- Governments will engage in organisational reforms for service integration if they can see opportunities for combining activation policy goals with either electoral credit claiming potential or institutional goals in them (see figure 2.2). By significantly increasing the attractiveness of organisational reforms, the perceived opportunity to achieve several goals simultaneously may therefore explain why governments came to push for such reforms despite their many associated uncertainties and risks.
- They are likely to do so especially when windows of opportunity open up in one of the two adjacent streams, either at critical moments in the electoral cycles, or in the aftermath of focusing events like a crisis or a recent decision in the organisational stream.

In conclusion, two last points concerning this argument should be mentioned. The first concerns the way this argument relates to the broader theoretical literature on policy changes and welfare state change. Arguing that the rise of organisational reforms is best understood from the perspective of the opportunities they offer to simultaneously achieve several goals does not completely invalidate the mainstream view that organisational reforms in the realm of social and employment policies were undertaken to ensure a more effective implementation of activation policies. In my argument, this goal, which refers to the set of activation policy goals, remains central. However, this study simply claims that this goal alone cannot fully explain the rise of organisational reforms, and that one gains a much clearer understanding if one looks at the interplay of organisational reforms and electoral and institutional considerations. In one sense, this argument reconsiders the complexity and multiple elements at stake in organisational reforms that most scholars of policy change have called for in the past years. The main difference, however, is that, rather than looking at the interplay between various macro-level causes, I take the perceptions and interpretations that political actors give to organisational reforms as my analysis' point of departure. At this stage, however, this argument remains hypothetical and needs to be tested empirically. This will be done by comparing the agenda-setting processes leading to the (non-) adoption of organisational reforms in four European countries (UK, Germany, Denmark and Switzerland), and by assessing its relevance against alternative functionalist and ideational explanations.

### **3. METHODOLOGY**

The theoretical argument spelled out in the previous chapter is the result of an inductive process. This work started with the observation that European countries have adopted a very diverse set of organisational reforms in their quest for greater coordination of social and employment policies. Organisational reforms have varied in their intensity and the type of organisations involved in each country. The initial research question sought to understand the causes for such variations. A number of competing hypotheses, largely based on the institutionalist literature, were developed (see Champion and Bonoli 2011). This orientation, however, was challenged by the results obtained from the data collected during my fieldwork in the UK. Based on the predictions from the literature, the concentration of political power and the centralised welfare state structure in the UK should have resulted in a relatively seamless transition to the Jobcentre Plus welfare model. However, it quickly became apparent that the process had been all but simple, fraught with turf fights and implementation obstacles from the outset. The focus of the study then shifted from explaining the diversity of organisational reforms seeking greater coordination to understanding the reasons why comprehensive organisational reforms like the introduction of Jobcentre Plus happened in the UK, and strikingly, also in other European countries where more fragmented welfare states and political systems were likely to produce even more complications.

This shift affected the overall goal of my research, which moved away from an identification of the causes of cross-national variation of an outcome to an understanding of the occurrence of an outcome in different countries, in this case the adoption of organisational reforms geared towards integrated services in social and employment policies. The reorientation has also profoundly altered the purpose of the comparative analysis. In the previous chapter, starting from the question of why different countries engaged in organisational reforms despite their uncertainties and political risks, and building on the literatures on agenda-setting and party goals, I developed the general argument that organisational reforms are more likely to reach a government's political agenda when the development of activation policies can be combined with organisational and/or electoral objectives. As a consequence, the main goal of the comparative analysis here is not to highlight country-specific factors responsible for cross-national variation as would have been the case in the initial research design, but rather to empirically verify the general applicability of this argument to various countries, and refine it if necessary (Skocpol and Somers 1980). To do so, the empirical part of this study compares the adoption of organisational reforms in four countries with different economic, political and institutional backgrounds, namely the UK, Germany, Denmark and Switzerland.

The first part of this chapter presents the focus of my research in more detail, namely organisational reforms that foster the establishment of integrated services, while the remainder of the chapter goes on to discuss the rationale behind the selection of the countries and reforms that are analysed in this study. It not only presents the main criteria used for the selection of particular countries, but also discusses the number of countries chosen. Although broadly built on the existing literature, the theoretical argument developed in the previous section is, to a large extent, the result of an inductive process, and therefore only makes

exploratory proposals as to the way various goals may be coupled together to promote organisational reforms in different countries. Moreover, it assumes that the relevance of institutional and electoral goals may vary depending on a country's political system and welfare state structure. For these reasons, it is argued that more than two countries where organisational reforms took place are needed to test the validity of the argument. Finally, in the third and fourth parts, I expose the within-case methods used to test the theoretical argument, and finally discuss the process of data collection and its limitations in unravelling the micro-level motivations of policy-makers.

### **3.1. Delineating the 'dependent variable': Organisational reforms and the coordination of social and employment policies**

This study examines the reasons with which governments from different countries are persuaded to engage in organisational reforms that integrate services in the realm of social and employment policies. The choice to use the notion of 'organisational reforms', albeit at first glance somewhat vague, actually aims to clarify the type of reforms that are at the centre of this study. It suggests a twofold distinction: first, a distinction between organisational and substantive policy reforms; and second, a distinction between soft and hard modes of coordination.

As mentioned in the first chapters of this study, while much has been written on substantive policy changes, one objective of this study runs counter to the current dominant view in (at least) the welfare state literature. This dominant view tends to see organisational reforms as primarily driven by rational problem-solving considerations, whereas the concern here is to illustrate the multifaceted nature of the motivations underlying the adoption of these reforms.

Empirically, however, this study is based on a precise type of reforms, namely organisational reforms that have sought a greater coordination of the provision of social and employment policies in the context of activation policy development. Although the context already restricts quite clearly the types of reforms that can potentially come under scrutiny, there remain many different forms of coordination initiatives that may be characterised as coordination reforms in line with activation policies. In practice, the question of the inter-agency coordination of social and employment policies has indeed taken various shapes, ranging from the soft forms of informal collaboration between individuals from different organisations to the outright merging of public organisations, via the coordination between public core delivery organisations and private organisations commissioned to implement active labour market policies. In this context, the notion of organisational reform used in this study makes reference to the hardest coordination forms that have restructured, integrated or merged two or more delivery organisations. This is why the term 'organisational reforms' has often been complemented by 'towards integrated services' so far.

In this section, I first develop in greater detail what kinds of concrete reforms can be characterised as organisational reforms in the context of the coordination of the provision of

income protection and employment services, and then turn to the question of the distinction between organisational and substantive reforms.

### ***Organisational reforms and inter-agency coordination in delivering income protection and employment services***

The issue of service coordination is not a new phenomenon<sup>25</sup>, and has given rise to an extensive literature that seeks to categorise reforms aimed at making organisations work more closely together and achieve collective goals. In this context, many concepts have emerged, such as partnership, coordination, collaboration, cooperation, service integration, etc. Although they all share the same broad objective, which is to make organisations work closer together, there is still little consensus on a single and clear-cut definition for all these terms. Some scholars make a distinction between coordination, cooperation and collaboration, but the three concepts are often used synonymously (for recent discussions on these related concepts, see e.g. Peters 2006, Bouckaert et al. 2010).

However, beyond this terminological proliferation, most authors broadly agree to categorise coordination reforms along two dimensions: vertical coordination on the one hand, and horizontal coordination on the other (Perry 6 2004, Axelsson and Axelsson 2006, Bouckaert et al. 2010, Overbye et al. 2010). Combined together, these two distinctions help us define more precisely what kinds of reforms are included in what I call ‘organisational reforms’.

The first dimension, *vertical coordination*, is usually used to refer to the intra-organisational relationship between national departments and their agencies (Peters 2006, Bouckaert et al. 2010: 23-24). However, since this study focuses on inter-organisational coordination, it makes more sense to use the dimension of vertical coordination to refer to another distinction frequently made in the specialised literature. The distinction is between a top-down approach in which coordination is imposed by national governments on front-line delivery organisations and a bottom-up approach that is initiated, and operates mainly at the local level (Martinson 1999, Peters 2006, Bouckaert et al. 2010, Overbye et al. 2010, Askim et al. 2011). In some countries, local actors have sometimes been very pro-active and innovative in initiating cooperation procedures within the network of organisations involved in the delivery of social and employment policies (Genova 2008, Overbye et al. 2010). However, for practical reasons related to the constraints of a cross-country comparison, this study only looks at top-down coordination reforms, or in other words, at coordination reforms that have been initiated and discussed at national level and are then implemented across the whole country.

The second dimension, *horizontal coordination*, seeks to apprehend the degree of intensity of coordination reforms. On this point, in the realm of social and employment policies, several authors have categorised coordination reforms along a continuum from the softest forms like inter-agency collaboration procedures to the hardest forms consisting of a full integration of

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<sup>25</sup> In the realm of the welfare state, a first wave of initiatives that aimed at greater coordination already took place in the 1970s. The Joint Approach to Social Policies in the UK or the Partnership Program in the USA is counted among the most important initiatives belonging to this first wave (Agranoff 1991, Jennings and Krane 1994, Waldfogel 1997).

organisations, with the creation of one-stop-agencies that co-locate separate agencies falling somewhere in the middle (Martinson 1999, Nylen 2007, Overbye et al. 2010, Champion and Bonoli 2011). This categorisation along a continuum developed for coordination reforms in the realm of social and employment policies is very much consistent with similar exercises for sorting out coordination initiatives with the public sector more generally (for insights into the most elaborate continuums, see e.g. Perry 2004, Nylen 2007).

In this study, however, I prefer to distinguish between only two degrees of intensity in coordination reforms, soft and hard forms of coordination, the main criterion of distinction being whether or not a coordination reform has resulted in a restructuring and reallocation of existing delivery organisations. Such a distinction implies that, because they involve considerable changes in the tasks and operational modes of affected organisations, the creation of one-stop-shops that make two or more separate organisations collaborate under one roof is also considered as a hard form of coordination. In contrast, approaches which only lead to a formalised collaboration between street-level organisations without their core tasks and goals being seriously affected would fall into the category of a soft form of coordination.

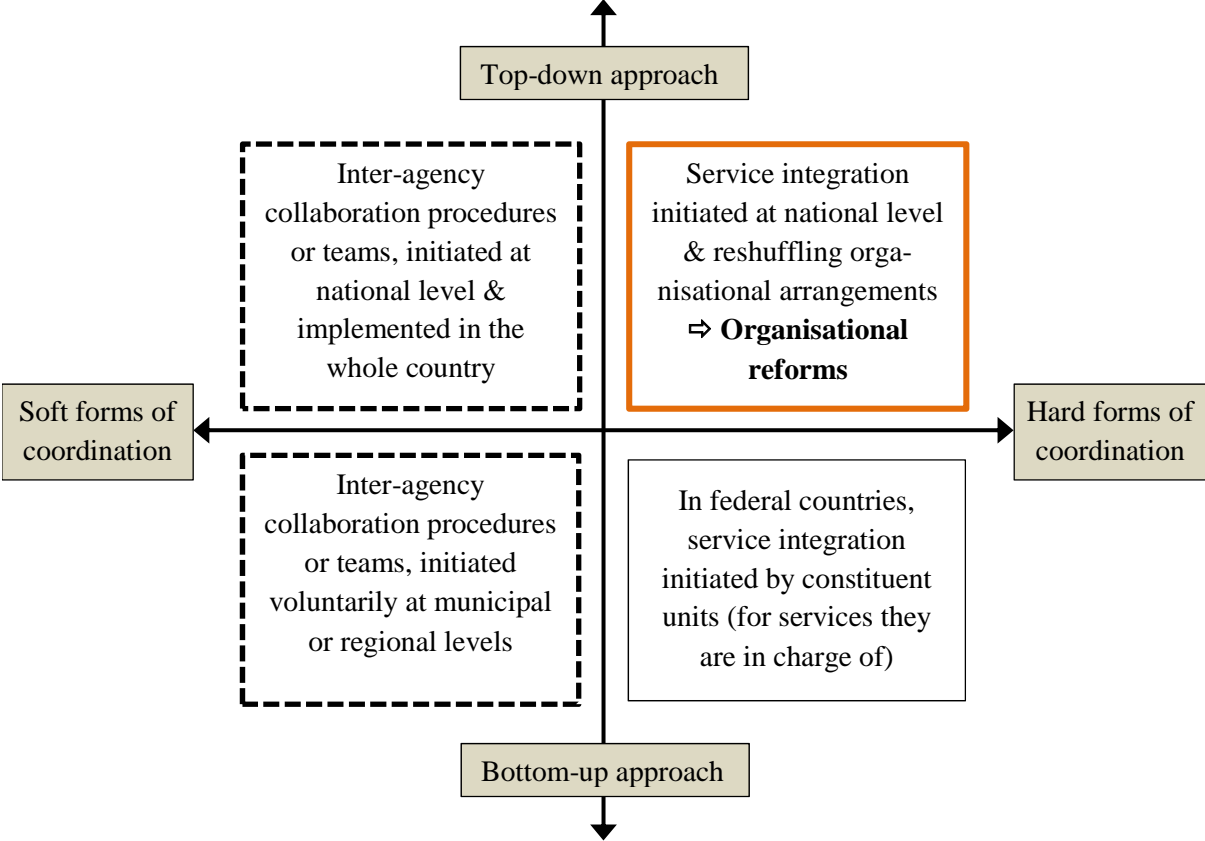
Although this distinction may *a priori* be criticised as an oversimplification of reality, I argue that it is particularly relevant when looking at the initial preferences of governments. In most cases, intermediary forms of coordination like one-stop-shops that are jointly run by separate organisations have not been the primary choice of governments, but rather the result of complex political compromises during the legislative phase of policy-making. In this respect, the case studies demonstrate that the initial proposal made by governments in most countries was actually an outright integration/merger of two delivery organisations. Since my primary interest in this study is to examine the process by which governments come to formulate their initial reform proposal, it seems reasonable to differentiate between only hard and soft forms of coordination.

Combined, the distinctions arising from the vertical and horizontal dimensions of coordination allow me to define more precisely what I mean by ‘organisational reforms’. These are, as illustrated in figure 3.1, all reforms which explicitly seek to redraw the organisational boundaries of pre-existing welfare state structures, and which were decided at the national level and implemented on a country-wide basis. Because such reforms may imply a great deal of political and institutional resistance, they usually tend to be adopted in a top-down way as a consequence of a deliberate decision by national governments. Bottom-up hard forms of coordination that emerge from the bottom seem rare, but could be for instance found in federal countries when constituent units advance an integration of the social or employment services they are responsible for. However, in such a case, an issue for discussion would be whether such reforms are still made on a voluntary basis, or imposed in a top-down way.

Softer modes of coordination, in contrast, whatever their degree of formalisation, may either be the result of top-down or bottom-up approaches (for a good overview of the various instruments of informal collaboration, see Overbye et al. 2010). The main difference is whether such forms of coordination result from formal recommendations made at national level (top-down approach), or whether they appear on the initiative of particular regions or

cities (bottom-up approach). In any case, for reasons related to the constraints of a cross-country comparison, only coordination forms discussed and adopted at national level are examined in this study.

**Figure 3.1: Delineating organisational reform among vertical and horizontal forms of coordination**



Finally, apart from these two distinctions, a last specification needs to be made which concerns the type of organisations involved in organisational reforms. In the specialised literature on service coordination, it is quite common to include partnerships as one specific form of coordination and thereby open the scope for actors involved in coordination with private organisations (Bouckaert et al. 2010, Askim et al. 2011, van Berkel et al. 2011a: 10-11). It is true that in most European countries, following reforms aiming to outsource and bring about competition in the delivery of employment services, the role of private organisations in the delivery of active labour market policies has dramatically increased in the past decades. Yet, in this study, for the sake of simplicity, but also for theoretical reasons, I restrict my analysis to public sector organisations, or more precisely, to the public and para-public agencies involved in the delivery of the core income compensation benefits and employment services<sup>26</sup>. In other words, I consider here only organisational reforms between

<sup>26</sup> The notion of a social security system for working age people is close to what Clasen and Clegg (2011) understand as unemployment protection systems in post-industrial societies whereby the category of unemployed has been progressively broadened to include categories of jobless people traditionally deemed inactive.



(para-)public agencies administering unemployment benefits, employment services, social assistance and, depending on the country, work incapacity benefits.

### ***Organisational versus substantive coordination reforms***

Beyond the vertical and horizontal dimensions of coordination, it is also quite common to distinguish between administrative and policy coordination (Perry 6 2004, Clegg 2007, Bouckaert et al. 2010: 20-21). Policy-makers wishing to tackle inconsistencies in the implementation of policy programmes basically face two options: either they may try to enhance the coordination of street-level practices, or they may seek to redesign policy programmes in a more coherent way, with the assumption that a more coherent policy programme will ‘produce more consistent implementation’ (Bouckaert et al. 2010: 21).

As already stated, my focus in this study is primarily is on the administrative side of coordination. And as seen in Chapter one, organisational reforms towards integrated services in social and employment policies have generally revolved around administrative coordination, or what welfare state scholars have called “operational policy reforms” (Carmel and Papadopoulos 2003, Borghi and Van Berkel 2007). They have generally consisted in changes in the way in which policies and services are administered and delivered, hence the choice of the denomination of ‘organisational reforms’. Examples of organisational reforms that belong to the administrative side include the merger of benefit offices with the PES, the creation of one-stop-shops that bundle various types of services that facilitate transitions from benefit to work, including sometimes psychologists or child care, or collaborative agreements of information sharing and referrals between agencies (Clasen et al. 2001a, Ditch and Roberts 2002, Overbye et al. 2010, van Berkel et al. 2011a).

Yet, it may also happen that some *substantive coordination reforms*, or “formal policy reforms” in the jargon of the welfare state literature, which primarily affect policy programmes, are undertaken with the explicit aim of achieving better coordination. One obvious example is the German Hartz IV reform, which integrated unemployment assistance and social assistance for job-ready unemployed to one single benefit (Unemployment Benefit II) and established specific jobcentres delivering benefit payment and activation services. Another example is the British Universal Credit, which plans to substitute all income transfers for working-age people from 2013 onwards.

Even though they deviate from our initial focus, it is clear that we cannot exclude such policy changes from the analysis, as they are part of the same strategy. In addition, in some cases like the German Hartz IV reform, the fact that the two dimensions, policy and administrative changes were actually coupled together in one single reform package makes it even more difficult to disentangle between the two dimensions. This is why the German case study on the Hartz IV reform considers and discusses both dimensions (see chapter 5).

### **3.2. Case selection**

Since the 1990s, there has been a vigorous debate among qualitative methodologists on how to select cases in a sufficiently adequate way so as 'to provide insights into causal relationships across a wider number of cases' (Gerring 2007: 86). Following a dominant approach derived from quantitative methods, cases should be selected not only in relation to the research question and theoretical framework, but also to control for macro-level variables (Ebbinghaus 2005). Following Mill's logic of agreement and difference, two strategies are usually mentioned in the realm of comparative methods: The most similar/ different outcome (MSDO) and the most different/ similar outcome (MDSO) strategies (first formulated by de Meur and Berg-Schlusser 1994). The choice of one of these two strategies hinges on the type of research question. Whereas the MSDO strategy is employed when the objective is to explain variation of the dependent variable with different scores on one independent variable, a MDSO strategy makes sense where the purpose of the research is to explain the same outcome in various cases (Ebbinghaus 2005: 141). Since this research is primarily interested in understanding the emergence of the same outcome in various countries and, by so doing, testing the validity of the theoretical argument emphasising the opportunity to couple several objectives, a strategy based on the MDSO method is considered best suited.

If one wanted to strictly apply the MDSO method, selection among the cases that exhibit a similar outcome to those that differ in all but one (or a few) independent variables would be required (see Ebbinghaus 2005). For the current research however, this is hardly feasible for two major reasons. First, the number of European or OECD countries to have adopted major CI are not indefinite, quite the contrary. Finding countries that would systematically differ on all variables but one is thus not possible. Second, the ideal MDSO design presupposes a research design that seeks to test the effect of a macro-level variable, one that is held constant in all cases. Yet, the theoretical argument in this study operates at the micro-level, and looks for regularities in the motivations and strategies of policymakers in government in different countries. There is therefore no need to isolate one macro variable. As a result of these limitations, the strategy chosen to select the country cases is one that approximates the most different/ similar outcome method, but differs on several aspects.

#### ***The selection of the four countries***

The four countries that form the cases for the comparative analysis, namely the UK, Germany, Denmark and Switzerland, were selected on the basis of three broad types of criteria: the recognition of the fragmentation of welfare states as a political problem, the maximisation of variance in some macro-variables across countries which carried out organisational reforms, and finally, the selection of a negative case.

The basic criterion for the selection of the countries was the recognition of problems arising from the fragmentation of welfare states at the political level. Given that the primary objective of this study is to understand motivations at stake in the emergence of organisational reforms, beyond the simple functionalist adaptation to perceived fragmentation problems, there was

little point to including a country where the fragmentation of the social security system has never been raised as a political problem, or has never reached the status of a political issue at national level. This does not mean that fragmentation problems have to be accepted by all major political actors in a broad consensus, but at least propelled by some advocates on to the national political debate. Based on this, countries like Italy where coordination initiatives have so far remained circumscribed at regional level, or Belgium where the very inclusive nature of unemployment insurance have long precluded political discussions on the issue (Clasen and Clegg 2011), were rapidly left out of consideration.

The second major consideration related to the choice of countries where radical coordination initiatives were adopted. To be able to test the applicability of the theoretical argument, at least two countries were needed which undertook an organisational reform, but which varied on many other dimensions pertaining to the theoretical argument and alternative explanations. As highlighted in the theoretical framework, many factors are liable to affect the emergence of organisational reforms, either positively or negatively. This would include for instance the degree of fragmentation of welfare state structures, or the degree of power concentration of a political system. Likewise, a relevant alternative explanation for the rise of organisational reforms is the role of learning and diffusion processes among policy-makers from their own experiences and innovations adopted in other countries. Yet, even when policy learning or diffusion result from a planned process like in the case of pilot projects or visits abroad, it remains that what is actually retained and learning primarily happens at the micro-level. Hence, selecting countries that vary on that dimension is always difficult before the detailed analysis of agenda-setting processes was completed.

Accordingly, it would be exaggerated to argue that the selection of the country cases was based on all possible variables that could potentially affect the agenda setting of coordination initiatives. However, two factors were predominant in the choice of countries that had engaged in an organisational reform. The first one was the intensity of unemployment problems that prevailed in countries, and which could be used as an indicator of the functionalist problem pressure hypothesis (see section 2.1). The second one related to the theoretical argument, which postulated that in countries where non-state actors have historically assumed large responsibilities in the provision of cash benefits and employment services, the opportunity to revamp this structure in order to centralise control over labour market policies may constitute one major motivation for governments to embrace organisational reforms. As a result, it seemed necessary to ensure variation across the countries in the powers and roles assumed by social partners and lower tiers of government, which represent the two principal categories of actors, outside of the central state, involved in the delivery of social security systems (Mabbett and Bolderson 1998).

As pointed out above, a comparison between two countries that undertook organisational reforms is methodologically a minimum test of the applicability of the theoretical argument underlying this thesis. However, after some hesitations to do with time considerations, I finally opted for comparing three countries which adopted far-reaching organisational reforms. The reason was twofold: first, this allowed me to maximise the variation in the two variables mentioned above, as well as in other dimensions, for example the degree of power concentration and the political orientation of governments. And second, given the relative

complexity of the theoretical argument, which suggests that organisational reforms may be combined with different goals depending on the political system and welfare state structure of a country, the inclusion of a third country offered a valuable chance to put the findings obtained from the two other countries into perspective, and to illustrate the relative importance of electoral and institutional objectives in different countries more convincingly (Skocpol and Somers 1980: 191-192).

Altogether, among the European countries engaged in organisational reforms over the past 20 years, the UK, Germany and Denmark were selected because they each displayed a particular articulation of positions on the two variables mentioned above (see table 3.1).

First, while radical CI in the UK and Germany were adopted in context of relatively high unemployment and inactivity levels, this was not the case of Denmark, where the integration of employment services for the insured and non-insured unemployed was put on to the political agenda in a context of very low unemployment. Admittedly, incapacity benefit caseloads were relatively high in comparison. However, political justification for the integration of employment services essentially focused on reducing the number of non-insured unemployed on social assistance benefits (see section 6.3).

Then, with respect to welfare state structures, all three countries displayed significant disparities in the way responsibilities were distributed between the central state, social partners and lower tiers of governments. In the UK, the central state has traditionally been the main actor in the delivery and administration of social security. Social partners play no role, while local authorities are only involved in the administration of a few means-tested benefits. In Denmark, due the persistence of the Ghent system, trade unions have traditionally enjoyed large powers in the implementation of active labour market policies, and, to some extent, in the administration of unemployment insurance, even though they do not directly run unemployment insurance funds (Ebbinghaus 2002, Clasen and Viebrock 2008, Madsen 2009). Besides, municipalities have traditionally enjoyed large responsibilities in administering (and partly financing) social assistance and most other social and income transfer benefits, even though regulation has remained a prerogative of the central state (Kazepov 2010). Finally, Germany is of particular interest due to its federal state structure which allocated municipalities very strong competences in social assistance. Before the Hartz IV reform, the division of competences between the state municipalities was organised in such a way that legislation was enacted by the federal state, whereas municipalities were responsible for both the administration and funding of social assistance.

Finally, the third strategy for case selection consisted in including a negative case, Switzerland, in order enhance the quality of the analysis. The choice of Switzerland is driven by considerations on the validity of the theoretical argument of this study. Selecting only cases which score positive outcomes has been regularly criticised by comparative methodologists for potentially ruling out important alternative causal relationships (see Collier and Mahoney 1996, Gerring 2007: 139-144). From that perspective, introducing a negative case helps to reduce this problem by shedding light on the 'relative importance we attribute to different causal factors' (Mahoney and Goertz 2004: 668).

**Table 3.1: Case selection**

	UK	DK	G	CH
Organisational reform	YES	YES	YES	NO
<i>Unemployment and inactivity levels<sup>1</sup></i>	High	Low	High	Low
<i>Organisational structure of WS<sup>1</sup>:</i>				
Role of social partners	Nonexistent	Strong administrative	Weak administrative	Weak administrative
Role of lower tiers of government (municipalities or states)	Limited	Strong administrative (and partially financial)	Strong: administrative and financial	Very strong: administrative, financial and legislative

*Sources:* Classifications based on Bolderson et al. (1997), Mabbett and Bolderson (1998), Ebbinghaus (2002); Kazepov (2010)

<sup>1</sup> Before the introduction of major coordination initiatives

Switzerland is a relevant negative case because no organisational reform as defined in the previous section has taken place so far. This is interesting, because as soon as Switzerland reoriented its social security system towards activation, the issue of major coordination initiatives was raised and discussed at federal level. Recently, calls and initiatives were made in this direction, but they have come to nothing concrete so far. Thus, the possibility principle (Mahoney and Goertz 2004), under which only negative cases where the outcome of interest is possible should be chosen, holds true for Switzerland. Formally, the Swiss social security system, like Germany, is marked by federalism. The main difference is that the Swiss federal state has no legislative competences for social assistance. Moreover, Switzerland, together with Denmark, belongs to the European countries that have continuously enjoyed low levels of unemployment during the 2000s. Arguably, from an institutionalist and functionalist perspective, nothing would predict organisational restructurings that cumulate high risks of political backlash and diffuse benefits in Switzerland. However, an institutionalist perspective would have also theoretically precluded any organisational reform in Germany, just as no major organisational restructuring could have been expected in Denmark from a functionalist perspective.

### **3.3. The case studies: within-country analysis**

If the comparative method used in this thesis has the broad objective to illustrate the importance of policy-makers' expected gains in several arenas in the rise of organisational reforms on to the political agenda of various European countries, it must be complemented with a careful within-country analysis. The goal is to identify the extent to which the

opportunity for coupling organisational reforms with electoral and institutional goals effectively contributed to their rise onto governmental agendas.

### ***Within-country unit of analysis***

However, before embarking in the discussion of the method used to demonstrate the applicability of the theoretical argument within each country case study, I first need to say a few words about the particular reforms, which constitute my unit of analysis within each country. In the three European countries under in which organisational reforms took place, the route to the coordination of social and employment is certainly best viewed as a process made up of a succession of reforms than one abrupt shift from a non-coordinated to a coordinated system. In the UK, for instance, the introduction of Jobcentre Plus, which merged the Benefits Agency and Employment Services, has paved the way for the current implementation of a Universal Credit that bundles all major income transfers. In Denmark, the 2005 jobcentre reform, which produced a complex organisation of jobcentres, was followed in 2008 by a new reform that aimed at simplifying the system by giving the entire responsibility for jobcentres to municipalities.

In this context of multiple potential cases within each country, I decided to focus my analysis on the first major organisational reform that took place in each country and which, so to speak, initiated the process. This decision mainly mirrored theoretical considerations. Taking the very initial radical reform as the main unit of analysis seemed the most appropriate choice to examine and understand how a new reform idea like service integration emerged and imposed itself on the political agenda of a government. In contrast, because subsequent reforms were generally about or making improvements to initial reforms or bringing to completion the reform process, they tend to constitute a continuation of the route towards greater coordination. The innovative character of the idea of coordination is therefore less prevalent in these reforms, even if they can be very radical in nature. For instance, the British Universal Credit is arguably a more path-breaking move towards coordination than the establishment of Jobcentre Plus. However, for the sake of analysing the agenda setting of a new idea across countries, the choice of the Jobcentre Plus reform made more sense. In addition, pragmatic reasons were also at stake, as when I started the empirical analysis of the British case study in autumn 2010, the Coalition government had not yet announced its plans for the Universal Credit programme.

### ***Process tracing***

If the comparative method used in this thesis serves the purpose to ensure the 'external validity' (Gibbert et al. 2008) of the theoretical argument exposed in the previous chapter, it is however less fruitful in demonstrating the actual relevance of this argument in each country as compared to other possible alternative explanations like policy learning or functionalist approaches. To that end, the comparative method needs to be supplemented by the use of a detailed process tracing of individual cases to unravel the causal mechanisms at play (George and Bennett 2005).

By encouraging to dissect the process that led to governmental reform plans, the method of process tracing allowed for identifying the main sequence of events and the key decision points in the agenda-setting process for each reform under investigation. For each of these key decision points, particular attention was paid to the ways in which the idea of organisational reform was associated with policy, institutional and electoral goals. Additionally, a careful study of the interaction between the conception and rise of organisational reforms on the one hand, and economic-political changes and lessons drawn from similar experiences within and outside the country on the other, proved valuable in assessing the causal weight of the two main alternative explanations, namely the problem pressure and policy learning hypotheses

### **3.4. Data collection: challenges and cautious triangulation of sources**

Retracing how and under what conditions a reform idea can make its way through from the primeval soup of policy solutions floating in the policy community (Kingdon 1984) to the top of the political agenda of a government is far from an easy task. Probably, the biggest challenge is that a great deal of the agenda setting process takes place in the informal spheres of policy-making, either within the responsible national government departments or within informal commissions gathering experts from the relevant political or societal actors. Whereas debates and official documents in the legislative phase of policy-making are usually easy to access, the debates and positions in the earlier agenda-setting phase are only marginally documented.

Therefore, qualitative interviews with people who actively participated in the process constituted a valuable and necessary source of information for unravelling the sequence of events and the key motivations for the agenda setting of organisational reforms. However, the reliance on qualitative interviews to collect the information needed had in turn some important limitations. First, the number of policy-makers who took an active role in the process and pushed for organisational reforms was generally limited to a handful of persons. This is certainly true for every kind of reform, but in this case, this was aggravated by the fact that organisational reforms, as complex technical reforms involving a range of policy programmes and state levels, require a good level of command over the overall legal and organisational frameworks surrounding organisational reforms. Within governments, only a small number of ministers, elected and career officials in relevant government departments and policy experts from political parties could actually claim such an expertise. In some countries, this sometimes also included policy experts from societal actors inasmuch as they were kept informed or involved in discussions on new reform proposals. Finding the right people who were able to give inside information into the process while being still active in the public arena and in reachable positions was therefore a major challenge of this research.

Apart from that, the length of time between the first serious discussions around organisational reforms and the research fieldwork proved to be another major limitation. Not only did it restrict the number of people still active in the public sphere, but it also questioned the validity of the information provided. On average, the agenda setting process of organisational

reforms was initiated over ten years ago. For the average person, this is often too a long period to remember the precise details and chronological sequence of events. Moreover, given that in all three countries, the reforms under investigation constituted a first step of an on-going process, I experienced difficulties in many interviews to keep interviewees focused on the past. Finally, another time-related difficulty is that, after such a long period, the information provided is always subject to a retrospective re-interpretation of the course of events. Such pitfalls seem to have been more perceptible in the German and Danish cases, where an extensive literature has already retraced the adoption of organisational reforms under scrutiny.

Finally, a third challenge that is very likely to emerge when investigating the motivations of policy-makers to push for a particular reform is how to 'get them to admit' some of the collateral goals pursued in the shadow of reforms. As rightly stressed by Radaelli (2009: 1147) in his critical appraisal of the measurement of policy learning, policy-makers generally tend to overestimate the role of policy learning and rational, good-policy motivations for their decisions, as opposed to more symbolic or power considerations. For this study, this therefore means a serious limitation to unravelling electoral or institutional goals through qualitative interviews. In this respect, the years passed between reforms and interviews may have turned out as an ally. All governments that adopted organisational reforms had left government at the time of fieldwork. One might therefore expect interviewed policy-makers to have spoken more openly, but one is never sure.

To minimise the scope of the information bias in qualitative interviews, great care was taken in my analysis to validate the information collected in the interviews through primary sources of information published at the time when organisational reforms were being discussed and brought on to the political agenda. In this respect, newspaper articles and available official documents like intermediary reform proposals, party manifestos or parliamentary committees' reports provided valuable sources of information and confirmation.

In sum, the case studies presented were built on a systematic 'triangulation' (Quinn Patton 2002) of three broad types of data, semi-structured interviews and document analysis from secondary and primary sources<sup>27</sup>. The analysis process was very much an iterative one, whereby document analysis was first used to reconstruct the broad process and prepare the interviews, which themselves opened up new insights into the events, which in turn require going back to document analysis in order to confirm and develop the information gained from the interviews.

Finally, concerning the conducting of interviews more specifically, they generally followed a semi-structured strategy, with a few common introductory and conclusive questions on the origins of the idea, the main issues and obstacles and the retrospective appraisal of the importance of the reform common to all interviews. However, apart from these few questions, interview guides were highly personalised based on the past position and roles of

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<sup>27</sup> A remark has to be made here on the Danish case. Given my limited knowledge of the Danish language, the analysis relied more extensively on secondary sources (like academic writings) published in English than for the other countries. English was also the language used in the interviews, whereas in the other countries, they were conducted in the interviewee's native language. This might be an explanation for why I got fewer interviews in this country.



interviewees. Altogether, 34 interviews were conducted, 10 each for Germany and Switzerland, 8 for the UK, and 6 for Denmark (a detailed list of interviews can be found in the appendix). For each country, I tried to maximise the number of relevant policy-makers in government, either in political or administrative spheres, as they were supposed to have the deepest knowledge on the process and motivations of the governments. But many interviews were also conducted with policy experts from the most important social actors and academic researchers in order to gain viewpoints from outside the government.

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The next chapters, which retrace and analyse the adoption of organisational reforms in the three countries where they were embraced, are organised according to a similar structure. In the first part, each country case study begins by outlining the context in which organisational reforms emerge. This first section includes a detailed presentation of the main features of social security systems for jobless people, and briefly outlines the political and economic situation prevailing when the government of interest arrived in office. This section, albeit mainly introductory, nevertheless endorses two important functions: it first helps to assess the actual scope of socio-economic and political pressures facing governments when they arrived in office, and second, to give the stance of the political debate on the issue of coordination at that time.

As this study is primarily interested in the agenda setting phase of organisational reforms which pre-date the legislative phase of policy-making, the bulk of the analysis concentrates on the discussions and decisions that took place between the arrival in office of the government which took up the issue and the unveiling of the first concrete reform proposal to Parliament. For the sake of clarity, the analysis presented in individual country chapters mainly concentrates on assessing the validity of the theoretical argument. Whenever there have been instances indicating learning and diffusion processes, they were included in the analysis, although not always discussed in full details. A more elaborate discussion of the role of functionalist and learning explanations is however carried out in the comparative chapter in order to compare and evaluate the empirical relevance of my theoretical argument. Finally, each country case study also includes a brief outline of the subsequent political negotiations and reform process, but in a much less detailed fashion, their main objective being in fact to shed light on the extent to which governments' expectations about organisational reforms were met in practice.

Given that no organisational reform has been so far adopted in Switzerland, the structure of this case study slightly deviates from the first three ones. Similarly, the starting point of the analysis corresponds to the time when the issue of coordination reached the national political debate. However, much attention is paid to the failed attempts at comprehensive organisational reforms and the political justifications for their rejection.

#### **4. THE UNITED KINGDOM: THE CASE OF JOBCENTRE PLUS**

In 2002, a national Jobcentre Plus was launched. Jobcentre Plus merged two national agencies that dealt with working-age benefit claimants, namely the Employment Service and the Benefits Agency. The merger brought about a highly integrated delivery system, one of the most unified organisational structures in Europe. Jobcentre Plus also became one of the biggest government agencies, employing about 80 000 people. For individuals who enter the welfare system, Jobcentre Plus now acts as a single gateway for all benefit claims and employment-related activities (National Audit Office 2008).

Prior to the launch of Jobcentre Plus, the United Kingdom's welfare system was fairly unified and centralised. The central state has always been the key actor in the provision of social security benefit schemes. Local authorities and social partners have played only a minor role. The Benefits Agency acted as a unique agency for the provision of the majority of security benefits for those out-of-work, apart from unemployment benefits and certain work-related services for which the Employment Service was responsible for, alongside a few means-tested benefits delivered by local authorities

While Jobcentre Plus was officially launched in 2002, the very first steps in its creation actually date back to the election of New Labour in 1997, under Tony Blair's leadership. In the months following New Labour's rise to power, a first pilot (called the ONE pilots) was worked out and launched in 1999. Initially, the pilots were supposed to run until 2002. However, already in 2000, with the pilots still running, Tony Blair announced the merger of the Employment Service and Benefit Agency, which eventually became Jobcentre Plus in 2002.

At the time of the 1997 election, only few people would have predicted such an outcome. Despite a strong emphasis on employment promotion, the idea of creating a single work-focused gateway for the provision of social security benefits and employment services never arose during the election campaign. Likewise, it was not explicitly part of the Labour Party manifesto. A detailed analysis shows, however, that senior civil servants of the previous Conservative government had initially proposed this type of welfare delivery. Though not part of New Labour's initial reform programme, the idea of a single gateway quickly gained serious political attention. This chapter shows that one reason was its potential for simultaneously fulfilling both welfare-to-work and 'joint government' flagship commitments. The analysis also suggests that Tony Blair's perception of various potential gains of the single gateway, and in particular electoral payoffs, seems to have obscured the potential obstacles and difficulties that could arise during the process.

This chapter is structured as follows: the first two sections examine the social security system for working-age people and the economic and political context before New Labour's rise to power in 1997. The next sections then retrace the process from the emergence of the single gateway idea to the creation of Jobcentre Plus by way of a merger between the Employment Service and the Benefits Agency. The last part summarises the process and draws some preliminary analytical conclusions.

#### **4.1. The British social security system prior to 1997**

The cornerstone of the modern British welfare state dates back to the Second World War, when Beveridge was commissioned to write a report on a comprehensive reform of the existing system of social welfare in the UK. Among the reports' main proposals were the assimilation of the prevailing diversity of social schemes into one national insurance-based system with local offices run by a central ministry, as well as the principle of flat rate benefits in return for a single contribution (Glennerster 1995). These two elements, which were adopted after the Second World War, have remained largely unchanged to this day. They contributed to give the modern British social security system a coherent and unified character, compared to most European welfare states that grew incrementally over the 20<sup>th</sup> century.

##### ***The benefit system***

Concerning the structure of the benefit system, the British welfare system is made up of three main types of benefits. The first type is insurance-based benefits, usually called *contributory benefits*. Eligibility depends on having paid sufficient contributions whilst in work, but benefit levels are provided on a modest flat rate rather than on an earnings-related basis. The second type is *means-tested benefits*, whose receipt depends on claimants' income and fortune. Finally, the third type corresponds to the so-called *non-contributory benefits*, which are available on a universal basis, provided that claimants fulfil some qualification criteria, such as providing evidence of sickness or disability (National Audit Office 2005, Jin et al. 2010).

Beveridge's vision was to introduce a unified insurance-based system which would form the core of the British welfare system and which would progressively reduce the role of means-tested benefits to that of a subsidiary help for people in temporary need (Glennerster 1995: 37). Following his report, the 1946 National Insurance Act effectively established a comprehensive system of unemployment, sickness, maternity and pension insurance benefits, all financed out of a single contribution-based fund<sup>28</sup>. However, Beveridge's ambition for a national insurance-based system complemented by one national subsidiary means-tested benefit never really materialised. Instead, the system evolved in a marginal insurance-based system supplemented by a whole range of means-tested benefits. From the 1950s to the 1980s, means-tested benefits never really stopped growing in importance and in number. New means-tested benefits were progressively added, to encompass several kinds of family-type benefits, housing benefits, or financial support to pay local taxes (which became later the Council tax benefit) (National Audit Office 2005, Jin et al. 2010). Paradoxically, the flat-rate nature of insurance-based benefits and their modest generosity also contributed much to the growing importance of means-tested benefits, as it had become quite usual for non-employed people to claim means-tested benefits such as housing benefit, in addition to their main income replacement benefit (Clasen 2011: 21-22). In the 1960s, attempts were made to introduce earnings-related supplements to top up modest flat-rate insurance-based benefits.

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<sup>28</sup> The so-called National Insurance Funds still exists. Unlike in other European countries, it is fully controlled by the central government (Clasen 2011). In case of deficit, the fund can be supplemented by general taxation. Only contributory benefits are financed out of that fund. Means-tested benefits are paid out of general taxation.

Their existence, however, remained fragile. Two decades later, in the 1980s, the Thatcher government abolished them without any major resistance from the population and political actors (Clasen 2005: 77).

By the 1980s, the number of benefits had thus increased dramatically and the benefit system had become much more complex as initially intended. In that context, two reforms adopted in 1988 and 1996 under Conservative governments sought to reverse this path. The first one, the so-called Fowler Reforms (named after the then Secretary of State Norman Fowler) attempted to bring back order in means-tested benefits. Among others, they established *Income Support* as the basic social assistance benefit (National Audit Office 2005). As such, at its origin, Income Support could be paid to jobless people who did not qualify for unemployment benefits or to augment low income or benefit amounts.

The second reform concerned unemployment-related benefits. Before 1996, *Unemployment Benefit* constituted the first tier of unemployment compensation. It provided flat-rate benefits for twelve months. Access was quite restrictive as entitlement was based on minimum earnings and contributions over a two-year period (Wu 2000). As a result, by the 1990s, the majority of unemployed, because they had insufficient contributory records or had exhausted their entitlement to unemployment benefits had to claim for Income Support. In 1996, the introduction of *Jobseeker's Allowance (JSA)* sought to unify this two-tier system by bringing together Unemployment Benefit and Income Support for the unemployed. However, within Jobseekers' Allowance, the dual system continued, as a distinction was still made between the contribution- and income-based JSA (Bottomley et al. 1997). Yet, as the duration of contributory JSA was reduced from twelve to six months (the duration of the income-based part remaining unlimited), the introduction of JSA further weakened the importance of the insurance-based tier of unemployment benefits (see Clasen 2011: 21). In addition, tightened entitlement rules, regarding notably job search obligations, made it difficult unemployed for people with health problems or caring responsibility to claim for JSA (Lindsay 2007: 38).

The introduction of JSA in 1996 was the occasion for the Conservative government in place to reinforce work-related obligations for the unemployed. After a short phase of relaxation in the early 1980s during which the unemployed were not required any more to be registered with the jobcentre, the Conservative government redirected its strategy from the mid-1980s towards a strengthening of benefit conditionality and a greater work-first approach. Job search and public employment programmes gradually replaced training measures (Lindsay 2007); job availability rules and job search monitoring were tightened; and from 1986, a Restart interview obliged jobseekers to attend a mandatory 'Restart interview' after six months of unemployment and if required to take part in an activation programme (Clasen 2011: 22). The introduction of JSA somehow represented the culminating point of the process, as it went together with the introduction of mandatory Jobseeker's Agreement determining job search activities and suitable jobs, more frequent visits at the Jobcentre, stricter sanction regime, and the possibility for advisers to require that individuals take measures regarding appearance, motivation (Trickey and Walker 2000, Clasen 2011).

In 1996, JSA and Income Support constituted two major income replacement benefits for jobless benefit claimants. The third important type of income replacement benefits was the

contribution-based *Incapacity Benefit*<sup>29</sup>, which replaced Invalidity and Sickness Benefits in 1995 as an attempt to contain the growing benefit caseloads. From the 1980s, work incapacity benefits had been extensively used in some regions to alleviate the consequences of de-industrialisation without overloading unemployment benefits. The creation of Incapacity Benefits was an attempt to close down this route, by defining eligibility criteria more tightly to restrict access to those genuinely incapable of work (Trickey and Walker 2000: 188).

Overall, from a comparative perspective, it can be said that the British benefit system has traditionally displayed the same fragmented character regarding the variety of benefit schemes as other European benefit systems. However, a certain homogenisation was achieved through the flat rate principle and a centralised funding structure for insurance-based benefits. Unlike in most other European countries where the earnings-related principle prevailed, the benefit system as conceived by Beveridge “should not stifle incentives, opportunity and responsibility” (in Rhodes 2000b: 23). The same rhetoric was used and extended by the Conservative governments in place from the 1980s to the mid-1990s to reorient unemployment benefits towards more work conditionality and work focus. In this respect, it is worth noting that reforms undertaken by the Conservative government primarily targeted the short-term unemployed. In 1996, a first step was made toward more efforts on the very long term unemployed (more than two years in unemployment) through the launch of a Project Work pilot. The pilot, explicitly guided by the objective to make benefit dependency less attractive, consisted of a first mandatory 13-week job search programme followed by another 13 week employment programme (Trickey and Walker 2000, Clasen 2011). However, apart from this pilot targeted at the long-term unemployed, job-related requirements remained almost inexistent for jobless people on Income Support, lone parents for a large part, or on Incapacity Benefits, both categories of claimants being considered as inactive at that time.

### ***Organisational structure***

The Beveridge report also provided the backdrop for the establishment of a centralised and unified organisational structure. Prior to that, a large range of organisations were involved in the administration and delivery of benefits for working-age people unable to work. In 1911, labour exchanges were set up to help the unemployed to find work. Very soon, however, they also got the responsibility for unemployment benefit payments. Further, a very complex system of about 800 approved private or partner-run societies administered sickness benefits and health care. Finally, in the frame of the old Poor Law, municipalities delivered means-tested benefits, including social assistance, to all those in need (Glennerster 1995). In 1942, the Beveridge’s report recommended that this Byzantine system be abolished and replaced by one Ministry of Social Insurance, with a network of local offices administering all insurance benefits. The only exception was Unemployment Benefit, which continued to be carried out separately in labour exchanges under the supervision of the Ministry of Labour (Glennerster 1995). Labour exchanges eventually became the Employment Service in 1988. In addition, a National Assistance Board was created in 1948 to supervise social assistance at national level

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<sup>29</sup> In 2008, Employment and Support Allowance (ESA) replaced Incapacity Benefit and Income Support in grounds of disability (Jin et al. 2010: 52)

and organise the provision of benefits at local level. Its establishment meant a sharp reduction of the role of municipalities in the provision of means-tested benefits.

The decades from World War II to the 1990s saw many changes in the organisational structure of the provision of benefits and employment services, leading for example to the creation of a large Department of Social Security, which amalgamated the National Assistance Board and abolished the separate administration of social assistance and insurance-based benefits (The National Archives 2009). After a brief decade when the functions of unemployment benefit payment and employment services<sup>30</sup> were carried out by separate jobcentres and unemployment benefit offices, the Employment Service, in its modern form of a national agency, was introduced in the late 1980s and restored the historical integrated administration of unemployment benefit and employment services (for more details on this, see section 4.3).

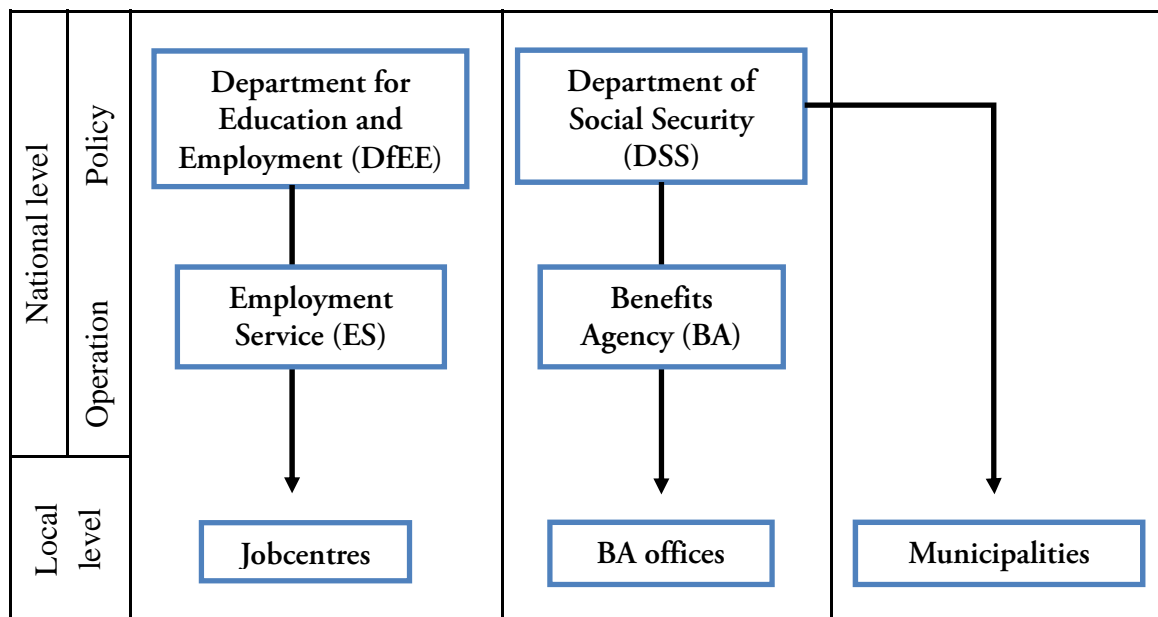
On the whole, by the mid-1990s, the system enjoyed a fairly centralised and unified structure. Two governmental departments shared the strategic policy development for welfare and employment matters at national level: the Department of Social Security (DSS) for all benefit matters; and for questions relating to employment services, the Department for Education and Employment (DfEE). On the operational side, there were only three organizations involved at national and local levels, all of them ultimately falling under the responsibility of one of the two governmental departments (see figure 4.1). They were:

- The *Benefits Agency* (BA), an agency of the DSS handling with the administration and payment of the majority of social security benefits (i.e. insurance-based and means-tested benefits, excluding Unemployment Benefit).
- The *Employment Service* (ES), an agency under the responsibility of the DfEE, which was created in 1988 and spread into a network of jobcentres at local level. Its responsibilities included the administration and payment of Unemployment Benefit, as well as the provision of employment services for the unemployed in receipt of Unemployment Benefits and Income Support. After a short time period in the early 1980s when the role of the jobcentres was kept to a minimum, the creation of the modern Employment Service marked a first step in a renewed expansion of the functions of the Public Employment Service (Convery 1997a, Price 2000: 263). The ES was quickly given more responsibilities in job search activities, and following the introduction of Jobseeker's Allowance (JSA) in 1996, it took over benefit payment for the whole benefit scheme, including for income-based part which was previously handled by the Benefits Agency (see section 4.3).
- *Local authorities* who, on behalf of the DSS, were in charge of delivering a couple of means-tested benefits for people on low income or benefit, such as Housing Benefit and Council Tax Benefit.

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<sup>30</sup> In this chapter (and the following ones), I use the term 'employment services' to refer to services related to job search assistance and active labour market programmes usually provided by Public Employment Services. Employment services in lower-case letters should not be confused with 'Employment Service' in upper-case letters, which refers to the national agency.

**Figure 4.1: Organisation of the British social security system in 1997**



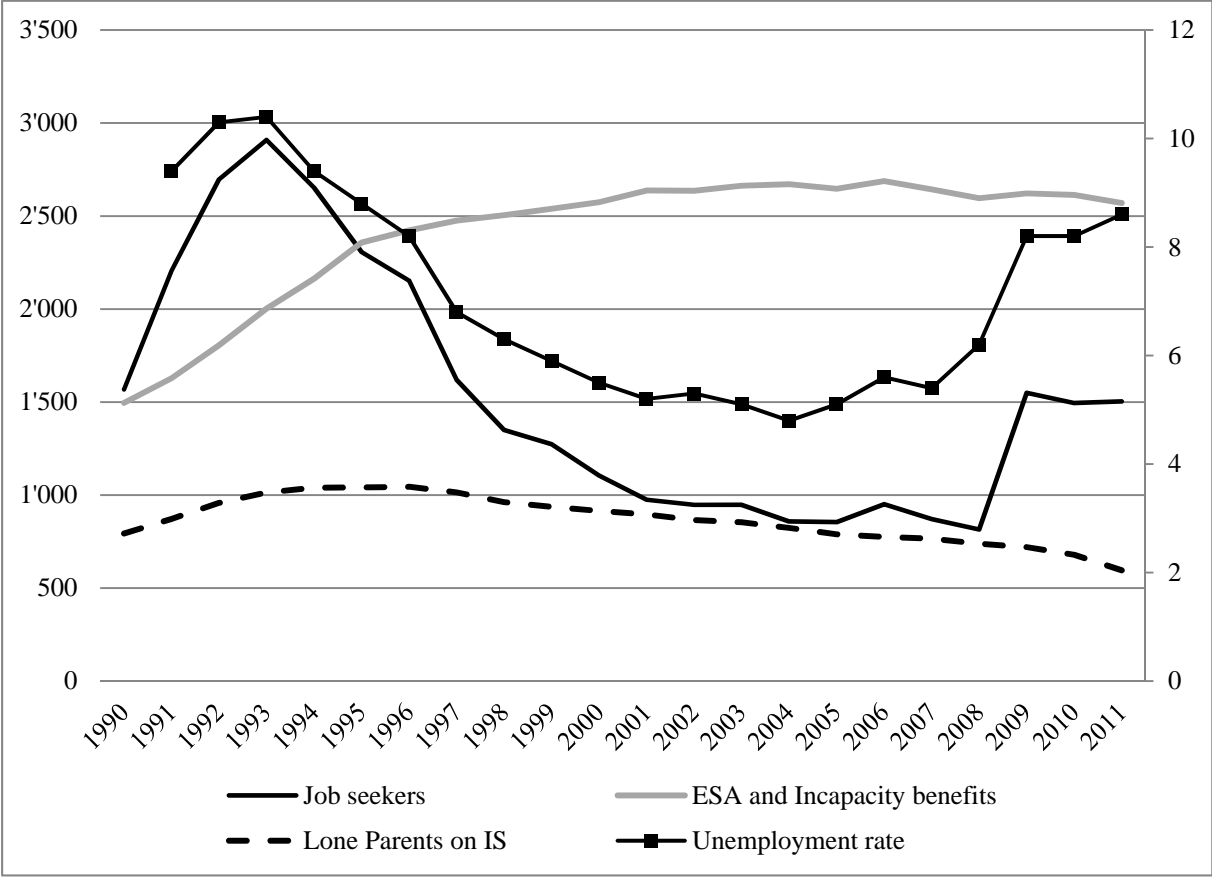
In sum, a fairly centralised and unified system arose from Beveridge’s report. It was centralised because the responsibilities for all income replacement benefits, including unemployment benefits, were organised through hierarchical bureaucracies controlled by central governmental departments (Finn et al. 2005: 3). It was fairly unified in that there were only a limited number of organisations involved in the administration and provision of social security at national and local levels. In spite of this, a sharp dividing line still existed between benefit administration and employment services in the early 1990s. For some people on benefits, and more particularly the unemployed on Income Support before 1996, this meant that they could potentially have contact with the three different organisations: Benefits Agency offices for the payment of Income Support, jobcentre for job search assistance, and municipalities if they were entitled to Housing Benefit on top of their Income Support benefits. For this category of benefit claimants, however, the situation slightly improved after the introduction of JSA in 1996, which bundled Unemployment Benefit and Income Support for the unemployed into one single benefit scheme.

### ***Unemployment in the mid-1990s***

Throughout the 18 years that the Conservative party was in office, its unemployment policy was dominated by the goals of tackling welfare dependency and reinforcing work incentives, notably through less generous benefits, stronger work conditionality and compulsory activities (Finn 2000b, Clasen 2011). To a large extent, the Conservative governments’ reform efforts to build a work-first system remained however targeted at the unemployed people, either in receipt of insurance-based or means-tested benefits. Their efforts were relatively successful regarding open unemployment. Following the economic recession of the late 1970s, unemployment had peaked to very high levels in the early 1980s. Over the 1980s, unemployment declined, but remained at relatively high levels until the mid-1990s. However,

and despite a new peak in the early 1990s caused by inflation and trade deficits, unemployment experienced a long-run average decline (Nickell 1999: 18-19). From 1993, the unemployment rate steadily decreased to a level of seven per cent of the workforce in 1997, one of the lowest unemployment rates for the last 20 years (see figure 4.2).

**Figure 4.2: Unemployment rate (right axis; as % of workforce) and main working-age client group caseloads (left axis; in thousands)**



*Notes:* Unemployment rate: seasonally adjusted (Aug-Oct); Jobseekers: claimants on insurance-based and means-tested benefits; Incapacity Benefits and Employment Support Allowance (ESA since 2008): Include people on Severe Disablement Allowance.

*Sources:* Unemployment rate: Labour Force Survey; job seekers: Office for National Statistics (ONS); Lone parents on IS and disabled people: ONS (1990-05), DWP, Work and Pensions Longitudinal Study. Figures for May (except for disabled people between 1990-94: February)

In the mid-1990s, reducing open unemployment remained a key issue in the public debate. However, as open unemployment was decreasing, another issue started to receive growing attention in public and academic debate, which was the issue of hidden unemployment and high inactivity rates<sup>31</sup>. The issue of growing caseloads in inactive benefits concerned primarily people in receipt of long-term sickness and disability benefits, and to some extent

<sup>31</sup> Other important labour market issues discussed at that time were for instance high level of wage disparities, the rise of the low-wage sector, and along with it, the emergence of a ‘low pay- no pay cycle’ for the low-skilled workers (Dickens et al. 2000). However, as they are less relevant to this study, I do not discuss them here.



also lone parents on Income Support. Between the 1980s to the mid-1990s, the number of people on incapacity-related benefits almost trebled. Partly, this rise reflected the Conservative reforms that aimed at tightening eligibility to unemployment benefits; but even more crucially, it reflected the significant process of deindustrialisation that took place in the 1980s, and the use of incapacity benefits as a means for older workers previously employed in industrial sectors to withdraw from the labour market after long periods in unemployment (Trickey and Walker 2000, Beatty and Fothergill 2004, Clasen 2011). This dramatic rise led the Conservative government to react towards the end of its era by creating reforming incapacity-related benefits and creating the Incapacity Benefit in 1995. More generally, together with increased focus on the problem of lone parents on benefits and a high proportion of households where no adult was in paid employment, the rise in people on incapacity benefits prompted the emergence of a discourse on the ‘worklessness’ problem, a term coined and extensively used by New Labour from 1997 (Gaffney 2012).

#### **4.2. The political context: the rise of ‘New Labour’**

As a prime example of a majoritarian democracy, the British political system is marked by the exceptional power it gives to the political party in government. This condensed power is nurtured by a unicameral legislature (the House of Commons), a competitive party system based around two dominant parties and a ‘winner-takes-all’ electoral system, which tends to give the political party with the most votes a majority of seats in Parliament, and in case of a clear parliamentary majority, allows it to form the government on its own (Lijphart 1999, Bonoli 2000, Flinders 2005). This means that once a party is in office and controls a majority of seats in Parliament, it holds great power and has a large capacity to pass laws. Provided it disposes of a comfortable majority in Parliament, the major potential obstacles it might face in policy-making are internal party rebellions (in cases of intra-party dissensions about one legislative proposal) and public opposition. Many political scientists have argued that governments in majoritarian democracies are particularly sensitive to electoral interests, and thus tend to adopt policies that reward large parts of the electorate (for a wider discussion on this, see Bonoli 2000, Curtice 2009). Conversely, because voters can easily know who to blame for actions they do not like, clear-cut unpopular reforms may always risk being sanctioned by a defeat at the next election (see e.g. Pierson 1994).

In 1997, New Labour, led by Tony Blair, won the General Election by a landslide majority. This was a small revolution in the post-war history of British politics, since the Labour Party had been reduced to an opposition party since Thatcher coming to office in 1979. The general desire to change after almost two decades of Conservative governments and a ‘nearly exhausted policy agenda’ (Blunkett and Richards 2011: 182), as well as a profound modernisation of the Labour Party on its economic and social policy counted among the major reasons for the success of the Labour Party in 1997. As a matter of fact, after yet another defeat in 1992, the Labour Party came to view its persistent poor results of its long-lasting commitment to high social spending and full employment combined with a sticky image of incompetence in economic management. As Rhodes (2000a) argues, past Labour

Party governments never really succeeded in reconciling their social visions with economic growth. In the mid-1970s, in the face of the first oil price shock, the Labour government's ability to contain inflation and unemployment only at the price of capped wage increases and widespread strikes largely contributed to the Labour Party's reputation for economic incompetence and incapacity to govern (Rhodes 2000a).

New Labour's rise to power in 1997, its position on economic and social issues and its commitment to radical welfare reform during its first term in office cannot be fully understood without having in mind those eighteen years in opposition. The election of Tony Blair as the Labour Party's leader in 1994 marked the turning point in the repositioning of the Labour Party towards the centre to gain support from the middle income voter. This same year, the Social Justice Commission appointed by the party to redefine the vision on economic and social policy published its report in which it recommended a redirection of social policy efforts towards one system that would be supportive of both social justice and economic development. To do so, the report proposed a package of measures such as lifelong learning, employment programs, and tax and benefit system reforms (Driver and Martell 1998). Ideologically, this meant a shift from Labour's traditional demand-side approach to full employment to a new supply-side approach combining stronger emphasis on employability and individual responsibility on the one hand, and enhanced employment opportunities for all on the other (Hyde et al. 1999, Finn 2000a).

The report paved the way for New Labour's welfare-to-work programme, which underpinned the Labour Party's renewed identity of 'New Labour' and became the centerpiece of its policy agenda during the election campaign. The 1997 Party Manifesto, which put at its heart 'work' as the best route out of poverty and benefit dependency, took up the main measures proposed by the Social Security Commission. Among them, the introduction of various 'New Deal' training and employment programmes, not just for the unemployed, but for various categories of inactive people on benefits, reached a central position (Labour Party 1997, Lindsay 2007). In this respect, the 1997 Party Manifesto clearly indicated the willingness of New Labour to depart from the Conservative strong focus on the unemployed and shift efforts on to categories of workless people who were traditionally deemed as inactive.

By and large, New Labour's main campaign's objective was to get away from the image of the Labour Party as a 'hand-out party' in relation to welfare and profile itself instead as the party of reform and modernisation (Interview UK6). Programmatically, this translated into a dual agenda, organised around the goals of creating employment opportunities and improving welfare services on the one hand, and strengthening incentives for people to get off benefits on the other. This dual objective was already present in the 1997 Manifesto, especially with regard to the New Deal programmes, through statements such as "Rights and responsibilities must go hand in hand" (Labour Party 1997). In its 1998 welfare reform proposal, the dual rhetoric extended to welfare reform as a whole, with New Labour's mantra becoming: "Work for those who can, security for those that cannot" (DSS 1998: iii).

This dual rhetoric was not unintentional, but sought to illustrate the more general commitment of New Labour to the proposal of a new and distinctive approach that differed both from the Conservative Right and Old Left, while at the same time borrowing elements from both

traditions. For instance, while at first very critical to the Conservative emphasis on compulsory activation and the concept of welfare dependency, it nevertheless came to adopt them when preparing for office in the mid-1990s. The Labour Party's 1997 election victory owed much to this re-positioning and to the concomitant promise of a fundamental change of the welfare state and of the society more generally. 'It's going to be a change for Britain, a big change' (Tony Blair in *The Observer* 1997, 27 April 1997). Although the strategy proved quite successful electorally, it also put strong pressure on New Labour to deliver results quickly and demonstrate its capacity to keep its promises for change (Convery 1997b).

### **4.3. The issue of integration prior to 1997**

Whereas the some New Deal employment programmes were already quite unusually detailed in the 1997 Labour Party Manifesto (Interview UK5), there was very little mention of issues related to the organisational structure of the British welfare state; and there was even less concrete reference to an integration of the two largest national agencies administering benefits and employment services. The closest reference to it was a very vague declaration of a willingness to "co-ordinate benefits, employment and career services, and utilize new technologies to improve their quality and efficiency" (Labour Party 1997: 15). However, the fact that the issue of integration was not part of New Labour's political agenda before its election victory does not mean that the idea was totally absent from the political debate. As this section shows, there are many indications that the issue of organisational integration had been floating around before 1997. However, until New Labour arrived in office, the issue never got the status of political priority (Interview UK3).

As shown in the section 4.1, starting from Beveridge's legacy of a largely centralised organisational structure, a number of changes were made up until the 1990s that redrew the boundaries of Ministries and agencies in the direction of further simplification and unification. On this point, an important specificity of the British political-administrative system is worth mentioning. Due to the absence of a written constitution and legal rules defining the organisation and operation of the public administration, the British government has strong powers in modifying administrative structures and procedures (Knill 1999, National Audit Office 2005). In the UK, the organisation of Ministries is considered to be under the power of Secretaries of State (Interview UK8). As a result, changes in the apparatus of national agencies do not require formal approval by Parliament.

Under the Conservative governments of the 1980s and 1990s, the way unemployment benefits and employment services were delivered started to attract much more attention, and several attempts were made to reduce the gap between the administration of unemployment-related benefits and employment services. The first important achievement in this respect was the creation of the modern Employment Service in 1998, which reinstated joint unemployment benefit payments and employment services, after some years of separate administration. The second one was the introduction of JSA in 1996 as one single benefit for the unemployed. To a large extent, the debate around the introduction of JSA was a substantive one. Beyond the

objective of adopting single set of rules for unemployment benefits, the JSA also went together with the reduction of contributory benefit levels and duration, and a strengthened conditionality of benefit receipt upon job search activity for all the unemployed (McKay et al. 1997).

But justifications for the creation of JSA were also gave much importance to the objective of simplifying the delivery through the establishment of a “one-stop-shop” for the unemployed. According to the 1994 white Paper, JSA was intended to:

- Improve the operation of the labour market by providing unemployed people with *better help* in their search for work, but also by strengthening conditions of benefit receipt;
- *Secure better value for money* for the taxpayer by a streamlined administration and a regime which more effectively helps people back into work;
- Improve the service to unemployed people themselves by a *simpler, clearer, more consistent benefit structure* and by better service delivery (quoted from McKay et al. 1997, my emphasis).

As this example shows, an important justification for JSA was to end the problematic dual organisational structure for the unemployed and to improve the quality and efficiency of system. To achieve this goal, the assessment of benefit eligibility and payments for JSA were transferred from the BA to the ES, thus creating one single point of contact for the unemployed<sup>32</sup>.

It is therefore during the first half of the 1990s that the rhetoric of a one-stop-shop bringing together employment services and benefit payment really emerged. Under the Conservative government, the idea mostly focused on the unemployed reflecting the predominance of unemployment issues within the Conservative welfare reform agenda (Finn 2000a, National Audit Office 2005). In the early 1990s, before the introduction of JSA was announced, the idea had already some keen advocates amongst the senior civil servants within the DfEE and had come through to some Ministers. As a consequence, it became a central aspect of the discussions surrounding the introduction of JSA. As presented by the Conservative government<sup>33</sup>, JSA was not only about cutting benefit duration and increasing labour market requirements; it was also about simplifying the system for the unemployed by providing them with a single point of contact to receive help and advice (Bottomley et al. 1997).

By 1996, the issue had also found some echo within New Labour, even if it remained in the margins of the party’s welfare reform programme. In the internal debates surrounding the welfare reform programme, some of the party’s leading figures had recognised that a change in the delivery structure would be necessary for the welfare reform to work in the long term. For instance, Frank Field, known as an expert on the British welfare system and man of radical ideas (who became Minister for Welfare Reform in the aftermath of New Labour’s

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<sup>32</sup> However, eligibility assessment and benefit payment were still conducted by staff employed by the BA, but working in the ES.

<sup>33</sup> At that time, the Prime Minister was John Major.

election victory) had called for a revamped DSS if it wanted to play a more active role in helping not only the unemployed, but also young people and single mothers to get off benefit dependency (Field 1996). More informally, in 1996, the Labour Party organized an informal seminar where the challenges that might be faced in government were discussed and analysed. As regards the challenges in carrying through the New Deals and getting non-unemployed people into work, one of the main conclusions drawn by Labour's leaders was the need to have one Welfare-to-Work agency coupled with one single Welfare-to-Work Department (Interview UK6). This shows that the idea of service integration floated around already before the election of New Labour, even though it looked much more like a long-term aspiration than a clear commitment to change the delivery structure of the welfare system.

Paradoxically, although the integration of benefit payment and employment services was framed as a means to tackle the problems of multiple registration and effective employment support associated with the co-existence of two separate agencies, this had never been supported by empirical research. On the contrary, a qualitative study on claimants' perceptions of the system as it was before JSA showed that the unemployed on Income Support had had only sporadic contact with the BA. The ES jobcentres already constituted for them *de facto* the single point of contact with the social security administration (McKay et al. 1997). Another report draws similar conclusions: "*The problem of customers being forced to traipse endlessly between offices in order to gain benefit, a problem that Jobseeker's Allowance is intended in part to address, is less prevalent than past research or popular opinion would lead one to expect.*" (Bottomley et al. 1997: 4). Such evidence therefore considerably downplays the vision of one-stop-shops as emerging to solve pressing problems of fragmentation. Although the rhetoric used, especially by the Conservative government in connection with the introduction of JSA, put significant emphasis on such problems, in reality, they did not seem to be as important as commonly argued.

#### **4.4. The idea of a single work-focused gateway (1997-98)**

##### ***The very early months in office***

In the following months after its landslide election victory in May 1997, the Blair government rapidly launched a series of initiatives in many parts of the welfare state (Driver and Martell 1998). Within the first two months in government, the main features of the New Deal for Lone Parents were finalized and pilots launched. In December 1997, the first benefit cuts for lone parents were passed, signalling the Blair government's willingness to distance itself from the Old Labour (Millar and Ridge 2002). Also, a number of commissions and units such as the Low Pay Commission or the Social Exclusion Unit were established before the end of 1997 to investigate and develop policy recommendations on specific issues (Sheldrick 2000).

Generally speaking, the Treasury and the Department of Employment and Education were given the leading role in the conception and development of New Labour's welfare-to-work programme. That said, it is within the Department of Social Security that the idea of a single gateway to work emerged. As soon as New Labour arrived in office, Frank Field was

appointed Minister of Welfare Reform at the Department of Social Security to “think the unthinkable” and prepare a radical and comprehensive reform agenda for the benefit system. Consequently, the Department of Social Security de facto became the department in charge of developing New Labour’s welfare reform programme, which was due to modernise the whole welfare state (Interview UK4).

During that time, two broad strands of policy-making arose within the Department of Social Security (Interviews UK7 and UK8). The first one was an ‘*Active Modern Service*’ strategy which was looking to improve the quality of services delivered by the BA. The objective was to take the BA away from its role of passively processing and paying benefits and give more emphasis on help people back into work in a tailor-made and customer-friendly way. Though officially launched in December 1997 by Harriet Harman, then Secretary of State for Social Security, officials started to work on it directly after the general election. The range of issues covered was very broad, ranging from improving IT infrastructure and information technology to simplifying the structure of benefit system itself to make it easier to administer (Interview UK8, Rose 1999).

It was in this strand that the first initiatives moving towards integrated services, which included municipalities, were developed during 1997. They gave rise to a whole series of local prototypes launched in early 1998 (Social Security Select Committee 1998). Indeed, very early on, the Harriet Harman, Secretary of State, voiced her determination to tackle the complexity and fragmentation of the social security system as part of Labour’s efforts to modernize social security. Speaking in July 1997 before Parliament, she said:

*“It is not just the public who are irritated, frustrated and exasperated with the social security system. The staff are too. They find it difficult to deliver the help that people need because the system does not let them. I am determined to overhaul the system that we had inherited. I want to develop a modern, integrated system that is simpler, streamlined and more efficient.” (Hansard, 22 July 97: Col. 784)*

At the same time, the second and perhaps more important strand of policy-making within the DSS was around the New Deals and working on a policy to expand the work support to benefit claimants previously deemed inactive. While the DfEE had been officially given the responsibility of formulating the various New Deals, their concrete design was led by the DSS, in partnership with the Employment Service (Daguerre and Taylor-Gooby 2004). Like in the other strand, people in this second policy strand within the DSS equally quickly found that a closer working relationship between the BA and the ES was needed if the work support and activation approach were to be expanded to inactive benefit claimants. Until then, this category was essentially dealt with by BA officers who had a good knowledge of the benefit system, but were relatively poorly qualified to address the potential for labour market reintegration of inactive benefit claimants (Interview UK8).

At the same time, within the first six months of the Labour administration, senior civil servants from this strand, sometimes accompanied by their Ministers, visited the United States to look at welfare-to-work programmes that could help them draw up the various New Deals programmes (Interviews UK1 and UK4). At the very beginning, the focus of interest was very

much on the implementation of the New Deals. However, during that process, people within this strand came to visit several models of one-stop-shops bundling benefit payment and various types of employment-related services in one place.

The visits to American one-stop-shops not only enabled DSS policy-makers to gain knowledge of possible ways to operationalize integrated social and employment centres, these visits also convinced them of the potentialities of an integrated approach. They allowed DSS policy-makers, for instance, to become aware that inactive claimants rarely suffered from one single problem and that only individualised support which could deal with the various needs of people beyond narrow bureaucratic classifications could help claimants return to work (Interviews UK1 and UK4). But the visits to the US also made them realise that by bringing together job search support and the payment of benefits, one-stop-shops provided a sensible means to strengthen benefit conditionality for all benefit claimants (Interview UK1) an issue that was highly controversial at that time, especially among associations defending the interests of lone parents and disabled people (see section 4.5).

It was at that point that the idea of service integration, first put forward by the active modern service strand started to attract serious attention by the New Labour government. Although the idea of a single gateway integrating the ES and BA first gained prominence among senior civil servants within the DSS, DSS ministers quickly supported it. Not only did a 'single gateway' fit with the aspirations of the policy-making strand devoted to active modern services, but it also coincided with a long-standing interest of Frank Field, the DSS minister in charge of designing a radical welfare reform programme, in introducing some work-related obligations for inactive benefit claimants who, unlike the unemployed, had up until then never been required to do anything to receive benefits (Interview UK1).

### ***From the administrative to the political take up of the idea***

DSS ministers consequently asked for a preliminary concept to be prepared. The resulting document, entitled '*The Primacy of Work*', described the single gateway as a doorway with 'work' as name on the top, which everybody entering the benefit system would have to go through (Interview UK1). The term used to refer to it, "the single work-focused gateway", was very eloquent of the willingness to embed the single gateway in the broader objective of expanding the work support for all benefit claimants.

The document was appraised by Tony Blair at the beginning of 1998, and subsequently supported by the PM and his team at Downing Street for several reasons. First, Tony Blair could use it as an important signal that New Labour was serious about its commitment to strengthen obligations and responsibility of every jobless benefit claimant to improve their employability (Interview UK6). Until then, the participation in New Deals employment programmes for lone parents and disabled people had only been thought of as voluntary. Accordingly, the introduction of a single work-focused gateway to the welfare system constituted one of the very first initiatives that could illustrate New Labour's readiness to keep its pledge for helping inactive claimants back into work.

Second, one has to keep in mind that in that first year in government, when the idea started to gain favour, the Blair government found itself in a politically tricky situation, confronted with both wide public anger about some of the first benefit cuts and restrictions<sup>34</sup> that were being unveiled and resistance from the old Left and trade unions against what they saw as a right-wing, work-focused agenda (Interviews UK4, UK6, UK8).

*“We were up a culture on the left and in liberal progressive circles that was very suspicious of this agenda because maybe people thought of something a bit right-wing about making people work (...) So we generally wanted the welfare system to work better, but we had to work to calm some quite deeply entrenched resistance in some of the Common taters, some of the lobby groups and trade unions.”* (Interview UK6)

In this context marked by public and political tensions, the fact that the integrated gateway, through its component of improved welfare services, could be framed as one important progressive element in the area of welfare reform, certainly contributed to its political attractiveness.

As one respondent suggested, the signalling function of the single work-focus gateway seems to have played an important role in its rise on to New Labour’s welfare reform agenda. Indeed, the single gateway seemingly displayed all the possible features that made it a perfect sign of New Labour’s pledge for a system built around a new balance between rights and responsibilities:

*“So, in the early days, there was a question of marketing it as a positive service, but also saying “there are rights here, we will give you a good service; but there are also some responsibilities that you have got to fulfil.”* (Interview UK1)

Finally, outside the realm of the welfare state, the rise of the single gateway should be also considered against the background of New Labour’s commitment for modernising government. Outside welfare reform, public sector reform constituted a second core area where New Labour wanted to profile itself as a party of modernisation. In this area, the idea of ‘joined-up government’ rapidly became one of the flagship slogans of New Labour. The term was first coined in 1997 by Geoff Mulgan, a special adviser to PM Tony Blair, and took a prominent place two years later in the “Modernising Government” White Paper (Clark 2002, Christensen and Laegreid 2007b). In managerial terms, it denoted New Labour’s broad aspiration to achieve coordinated action in view of eliminating policy contradiction, create cross-boundary synergies, make a better use of money and produce seamless services (Pollitt 2003: 35). In political terms, the term was not neutral, but served the purpose of differentiating New Labour from decades of Conservatives fragmentising and privatising policies (Pollitt 2003: 35-36, Wiggan 2007).

Geoff Mulgan, who coined the term “Joined-up government”, was also Tony Blair’s special adviser on labour and welfare issues. In this context, and quite apart from what was done in

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<sup>34</sup> In particular, these were cuts in Income Support for lone parents, and the introduction of re-testing procedures for receiving Disability Living Allowance (Interviews UK4 and UK8)



the DSS, a joined-up approach to welfare and jobs had been identified as desirable very early on (Interviews UK2 and UK3). So, when the document “The Primacy of Work” got to Tony Blair, it obviously met with very favourable reactions as it provided a concrete model for joined-up government.

To sum up, the American experience was important in the early emergence of an agreement among DSS Senior Civil Servants on the benefits and attractiveness of an integrated approach to welfare and work policies. However, if the American experience, and also to some extent the UK’s own experiences with regards to the delivery of the New Deals, constituted a critical inspiration, the account above also clearly indicates that the decision to bring the idea high up the political agenda was actually largely a politically driven one. In this process, the support of the highest spheres of the New Labour government proved decisive, and this seemed to have been greatly facilitated by the way in which the idea fit with New Labour’s political agenda of welfare state and public sector modernisation, and the political situation of the time.

### ***The Green Paper on welfare reform***

Following its official approval, the idea could eventually be included in Frank Field’s Green Paper<sup>35</sup> on welfare reform entitled “New ambitions for our country: A new contract for welfare” (DSS 1998), which was published in March 1998 after several delays (Interview UK1).

When unveiled before Parliament, the Green Paper was criticized for arriving too late and for its lack of substance and radicalism (Parliamentary News, 26 March 1998). To many observers, the Green Paper did not do much more than reiterating the guiding principles of welfare reform, with the catchphrase “Work for those who can and security for those who cannot” and the emphasis on citizens’ rights and responsibilities. But for the study of the policy-making of Jobcentre Plus, the document is of great importance as it is the first official document to announce the government’s commitment to create a single gateway to the benefit system.

The introduction of what had been labelled as a *single work-focused gateway* was rooted in two of the eight key objectives set out by the Green Paper for welfare reform. The first and most explicit one relates to the government’s objective to rebuild the welfare state around work (Principle 1 in table 4.2). Here, the single gateway was closely connected to the New Deals and the need to provide all benefit claimants of working age with a “personal adviser who would help them develop a tailor-made action plan.” (DSS 1998: 28). In this regard, it was claimed that moving toward a single work-focused gateway into the benefit system would help create a more flexible and personalised service and provide more effective help to benefit claimants to improve their employability. The second mention was linked to the objective of creating modern and user-friendly system (principle 8 in table 4.2). Here, the point was made that delivering benefits through a single service would eliminate inefficient duplication and

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<sup>35</sup> A Green Paper is a tentative proposal for reform, which is up for consultation and discussion. In contrast, a ‘White Paper’ is a statement of a fairly definite reform agenda.

unnecessary complexity harmful to both customers and staff. A more efficient service would also give taxpayers better value for money.

**Table 4.1: The eight key principles of welfare reform (as set out in the 1998 Green Paper)**

1. <i>Importance of work:</i>	The new welfare state should help and encourage people of working age to work where they are capable of doing so.
2. <i>New Partnerships for welfare:</i>	The public and private sectors should work in partnership
3. <i>The importance of welfare services:</i>	The new welfare state should provide public services of high quality to the whole community
4. <i>Support for disabled people:</i>	Those who are disabled should get the support they need to lead a fulfilling life with dignity
5. <i>Support for families &amp; children:</i>	The system should support families and children, as well as scourge of child poverty
6. <i>Attacking social exclusion:</i>	There should be specific action to attack social exclusion and help those in poverty
7. <i>Rooting out fraud:</i>	The system should encourage openness and honesty and access to benefit should be clear and enforceable
8. <i>A modern service:</i>	The system of delivering modern welfare should be flexible, efficient and easy for people to use

Source: DSS (1998: i and 2)

Reflecting the late coming through of the idea, the Green Paper remained overall very vague as to the concrete shape that the single work-focused gateway would take. Yet, this proved to be an advantage for fostering acceptance by other actors, and most notably the DfEE. The early development of the idea merely came from the DSS. It is only at a later stage that DfEE Ministers and senior officials learnt about the single work-focused gateway. Given that expanding the work focus was something that they had always pushed for, they could hardly object the proposal. What is more, they had nothing concrete to argue against, as the proposal at that time was at such an early stage of development that it left all potentially conflicting issues open, like funding, staff and premises issues.

**4.5. The 1998 White Paper and the ONE pilots (1998-99)**

Following the publication of the Green Paper, a joint working group was set up to work out the parameters of the future single work-focused gateway. It was composed of senior officials from both the benefit side (DSS and Benefits Agency) and the employment side (DfEE and Employment Service), but was chaired by Andrew Smith, then the Minister for Employment at the DfEE. The joint working group worked on a tight schedule, allowing for a White Paper

entitled “A new contract for welfare: the Gateway to Work” (DfEE and DSS 1998) to be unveiled in October 1998, i.e. six months after the Green Paper had been unveiled. In contrast to the vague proposals made in the Green Paper, the White Paper detailed quite the features of the single work-focused gateway. More specifically, the White Paper evoked a a combination of two different elements of change:

- *The bringing together of the ES, the BA and municipalities* to provide one single point of access to the benefit system for all benefit claimants of working age. At that time, the proposal was to ‘co-locate’ the services on the same site and to provide the most inclusive service possible. There was however no mention of any merger.
- *A new process of claiming benefits centred on work.* The central idea was that within the first days after the initial contact with the system, all benefit claimants who were not in full time work were allocated a personal adviser who would invite them for a work-focused interview to discuss their potential for employment. Subject to a change in the legislation, the work-focused interviews would be made mandatory for everybody of working age claiming income maintenance benefits<sup>36</sup>. Personal advisers would however be free to decide whether to waive or defer the interview for some people for whom work was obviously not a practical option in the shorter term (like lone parents with very young children or people with heavy caring commitments). After the initial mandatory work-focused interview, follow-up interviews would be available to claimants on a voluntary basis.

While those two core elements had already been more or less suggested in the Green Paper, the White Paper also introduced new elements related to the practical delivery of the single gateway.

The first one was the coupling of the introduction of the single gateway with mandatory work-focused interviews for every new benefit claimant. Whereas the Green Paper did not make any mention of the use of the single gateway to enforce substantive changes in the conditions for receiving benefits, the introduction of mandatory work-focused interviews definitely concretised early realisations that the single gateway could offer a promising opportunity to strengthen benefit conditionality. As a matter of fact, Tony Blair himself presented the single gateway as a change marking “*an end of a something-for-nothing welfare state*” (Financial Times, 11 February 1999). Following the White Paper, the work-focused interviews became a central aspect of the single gateway, which needed to be passed by Parliament as part of the 1999 Pension and Welfare Reform Bill.

Even though ministers promised that the work-focused interviews would allow for exemptions and that there was no question of forcing claimants to accept jobs, the issue proved a very contentious point.

- In its first readings, the bill provoked a major rebellion among Labour MPs. The issue of compulsory interviews was certainly not the only point to come under harsh criticism, but it belonged to the very controversial ones. The most virulent criticisms

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<sup>36</sup> Among the most important ones were Jobseeker’s Allowance, Income Support, Incapacity Benefit (DfEE and DSS, 1998)

concerned the rigidity of the compulsory element and the tough penalties in cases of failures to attend the interview, i.e. the prospect that claimants may lose their benefits if they failed to turn up for an interview (The Independent, 18 May 1999). For their part, Tories criticized the measure for being a halfway measure that would in fact divert attention from the real problem of creating employment and helping people find employment (Hansard, 17 May 1999)

- Similarly, lone parents, carers and disability organisations voiced serious concerns that their clients would be forced to work, and, if they were unable to work, that their benefit would be cut (Social Security Select Committee 1999). Whereas all of them supported the creation of a single gateway in principle, they all expressed fears that the mandatory work-focused interviews were a first step towards a pure workfare regime.

In contrast, at that time, the issue of creating a one-stop-shop incorporating the ES, the BA, and municipal offices was welcomed by the majority of political actors, including the trade unions representing the public sector, as well as the Conservatives in opposition who saw in it a continuation of what they had started with JSA. “*Nobody can really argue against having a single point of contact that brigades various sorts of support*” (Interview UK6). After several amendments (which did not affect the work-focused interview), the Bill was eventually passed by Parliament in November 1999.

In addition to the strengthening of benefit conditionality, the second new element introduced with the White Paper was the launch of pilot projects from June 1999 for a three-year period. As outlined, the objective was to test how to make the single gateway work in practice. Not only one, but three different models were to be tested: the *basic model* delivered jointly by the ES, BA and municipal offices located on the same site; the *call centre model*, in which initial contact with the system was via a call centre; and finally a *private and voluntary sector* model that was intended to explore the innovations that private and voluntary organisations could bring about. The last two variants would start in November 1999 (see table 4.2). According to the White Paper, only if positive results emerged from those pilots would the government think of a national implementation. While the terminology in the White Paper remained ‘the Single Work-Focused Gateway’, the pilots were renamed the ‘*ONE service pilots*’ in early 1999 before their introduction.

At that time, in late 1998, there were many indications that the pilots revolved around learning about the most effective ways to deliver an integrated service. First, even though DSS senior officials could have learnt some practical ways about how to organise operative processes from the one-stop-shops they had visited in the USA, the context was quite different and many uncertainties remained regarding, among other things, information technologies, and how the three organisations would work together (Interviews UK1 and UK7). Second, while it had been claimed that benefits in terms of employment promotion and efficient services could be gained from a more integrated approach, they had always remained at the level of hypothetical assumptions. One of the objectives of the pilots was therefore also to evaluate the capacity of the integrated gateway to effectively deliver its expected benefits (Interview UK7).

However, there were also signs that the pilots fulfilled other functions. One was the perceived need to delay large-scale organisational overhaul at a time when both the ES and BA were already undergoing already a lot of changes, with the New Deals to deliver and the JSA which was still in an early implementation phase (Interviews UK2 and UK7). Moreover, by opposing a fully integrated public model, in favour of a private model of organisation, the design of the pilots seemed to have been in response to political decisions rather than a genuine motivation to learn how to best deliver the one-stop-shops:

*“I would have liked to have tested different degrees of integration. In the end, all we have tested was running a total in-house model as opposed to contracting provision to the private sector. To my mind, that was theology. Whether we do it or you contract it, it’s a political decision. I didn’t see that it had anything to do with what we needed to learn about how we delivered the one-stop-shop.”* (Interview UK5)

**Table 4.2: Reform chronology of the introduction of Jobcentre Plus**

<b>Year</b>	<b>Measure</b>
May 1997:	The Labour Party wins the General Election in a landslide victory
March 1998:	The Green Paper ‘ <i>New Ambitions for our country: A new contract for welfare</i> ’ is presented to Parliament. <ul style="list-style-type: none"> <li>• It is the first official document to explicitly mention the idea of a ‘single work-focused gateway’.</li> </ul>
October 1998:	Publication of the White Paper ‘ <i>A new contract for welfare: The gateway to work</i> ’: <ul style="list-style-type: none"> <li>• It sets out the principles of the single gateway and the reform timetable.</li> <li>• It is stated that pilots will be first conducted and thoroughly evaluated before any decision of a nationwide roll-out is made.</li> </ul>
June 1999:	ONE pilots: Launch of the <i>basic model pilots</i>
November 1999:	ONE Pilots: Launch of the <i>call-centre</i> and the <i>private and voluntary sector</i> models. <ul style="list-style-type: none"> <li>• All three pilots, including the basic model, are due to be tested until 2002.</li> </ul>
March 2000:	The PM announced his plans to create a ‘ <i>Working Age Agency</i> ’: <ul style="list-style-type: none"> <li>• The agency would merge the ES and those parts of the BA which provide services to people of working age.</li> <li>• It is due to be established during 2001.</li> </ul>
April 2000:	After the passing of the Welfare Reform and Pensions Act 1999, claimants in ONE pilot areas required to participate in work-focussed interviews
October 2001:	Introduction of 56 Pathfinder offices, which act as the first Jobcentre Plus offices
April 2002:	The nationwide roll-out of Jobcentre Plus is launched
2006:	Jobcentre Plus operates nationwide

*Sources:* various DSS documents; The Employment Service, Benefits Agency and Local Authorities (1999)

#### **4.6. The creation of Jobcentre Plus (2000-02)**

As one can imagine, the ONE service pilots were presented by Ministers as genuine pilots designed to test the feasibility of delivering one integrated service and the best way to do it (Social Security Select Committee 1999). But while they were supposed to run until 2002, Blair announced already in March 2000 the establishment of a new single working age agency from 2001 as the next step in the Government's welfare reform programme. The single agency would result from the merger of the ES and part of the BA dealing with working-age benefits. Unlike the ONE pilots out of which it grew, the new agency would not directly involve municipalities as delivery partners. The merger was a merger on a grand scale, involving more than 90 000 staff at that time. As a Labour MP claimed before Parliament in April 2000: *“This is probably one of the biggest changes ever made in the machinery of government. The jobs of tens of thousands of civil servants will be involved... It will not be a 5 minute job; it will take several years.”* (Social Security Select Committee, 3 July 2000).

Reasons for that early announcement remain relatively difficult to understand from a functionalist approach. In 2000, the unemployment rate had fallen to one of its lowest levels in decades (see figure 4.2), and despite persisting high inactive benefit claimants caseloads, first results from the pioneer New Deal for Young People had come to encouraging employment effects (The Guardian, 01 May 2000). From this perspective, it is quite difficult to argue that the decision was prompted by a sudden deterioration of the socio-economic situation and the concomitant rise in benefit caseloads.

From a learning approach, it is equally difficult to imagine how the few months in which the ONE pilots were in place could be enough to draw firm lessons on their administrative benefits and employment effects. For instance, in a parliamentary hearing about the development of the ONE pilots that took place in early 2002, policy-makers in charge stressed that it was too soon to be able to assert that the pilots had made a difference to employment outcomes (select Committee on Work and Pensions, 23 January 2002: Q310). It is therefore very unlikely that such evidence already existed in early 2000. It is however true that the same few months allowed policy-makers to realise a general positive reaction from benefit claimants as well as the limitations of successfully making staff from the two agencies collaborate if separate managing lines and employment conditions were to be maintained (Interviews UK1 and UK7). Yet, despite such intuitive lessons that could quickly speak in favour of more radical merger, many remained hesitant within the two affected departments about the legitimacy of merging organisations so quickly. While the DfEE feared that bringing all categories of benefit claimants under one roof would undermine efforts to get the unemployed back to work, the DSS feared that a merger would result in reduced resources to assess benefit rights correctly (Interview UK7). Hence, such worries clearly indicate that the idea of merging the two delivery agencies was still far from having created a large evidence-based consensus within the Labour administration at the time.

In fact, there are good reasons to believe that a large part of the explanation for the very early announcement lies in the political and electoral considerations related to the upcoming general election that was held a year later, in 2001. Tony Blair was in his third year in office.

Despite a lot of changes to the welfare system, undertaken since 1997, and the high likelihood of winning the next election<sup>37</sup>, he was very concerned that they were piecemeal reforms and that more comprehensive reforms were still missing (Blair 2010: 210-211).

New Labour had been elected to bring about radical change and had heavily campaigned on its commitment to radically transform the welfare state and society. Political pressure was therefore high for it to deliver results. From that point of view, to announce a large departmental reorganization a year before the election could have been seen by Blair as an additional signal that it was really executing big reforms<sup>38</sup> (Interviews UK6 and UK8). Until the 2001 general election, the single Working-Age Agency was systematically associated with the notion of a ‘radical modern service’. It constituted another new and radical measure among the various welfare-to-work programmes launched as of 1997, and was also framed as a core foundation in reshaping the whole welfare culture around work. As the then Secretary of State for Social Security put it when presenting the next phase of the welfare-to-work programme in 2000: *“We want an active benefits system which moves from passively paying out benefits to asking the question ‘what can we do to help you back into work’. The new Working-Age Agency will put this into practice -combining job advice and job-finding alongside advice on in-work benefits: making work pay, making work possible”* (DfEE Press release, 14 March 2001). And as it turned out, the establishment of Jobcentre Plus became one of the flagship elements of the 2001 Labour Manifesto to provide employment opportunities to all people (Interview UK3, Labour Party 2001).

This evidence suggests that Tony Blair’s decision to hastily merge the BA and ES into one single national delivery agency reflected much more political considerations than the need to solve pressing problems or unequivocal lessons learnt from piloting. This does, however, not completely invalidate the role of the pilots. While the decision was above all political, seemed the ONE pilots seem to have been actually quite important in terms of working out the technical practicalities of the unified Jobcentre Plus. They thereby largely facilitated the implementation phase after the political decision (Interview UK3). Certain limitations, for example the problematic inclusion of local authorities and the delivery of Housing Benefit which depended on local circumstances, into an integrated national service, or the inability to have personal advisors competent in all kinds of services inactive claimants might need in order to return to work, belong to the most obvious lessons drawn from the pilot projects, and which were later incorporated into the design of Jobcentre Plus.

#### **4.7. The difficulties of implementing Jobcentre Plus**

Even though the merger only involved state-run organisations, the reorganization proved much more difficult to implement than initially envisaged. While the amalgamation of the two agencies had originally been announced for 2001, the official launch of Jobcentre Plus only

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<sup>37</sup> The Conservative Party was weakened by long internal battles over leadership after its electoral defeat.

<sup>38</sup> Interestingly, however, the announcement in 2000 of the creation of what became Jobcentre Plus drew little interest by the media (Blunkett 2006)

took place in 2002. It came just after the merger of their respective parent departments, the DfEE and the DSS, into the *Department for Work and Pensions*. One of the reasons for that lay in the internal struggles over which of the BA or the ES would be in charge of the new super-agency. The Permanent Secretaries at the two Departments could not agree on a model. On the one hand, both feared losing a large part of their job (The Times 2000: 4 September 2000). On the other hand, both were trying to protect the interests of their staff. As already pointed out above, from the point of view of the DfEE, the fear was that the amalgamation of the two agencies would end up diluting the work focus for the unemployed, while the concern with the DSS was that a strong emphasis on tailor-made services would prejudice the quality of benefits processes and payment.

That eventually required the Prime Minister's office to get involved and to take the decision to have the unified Jobcentre Plus, and later, after the 2001 election and the change in ministers, to move the employment policy to the DSS and make it into the Department for Work and Pensions (Interviews UK1 and UK7). In fact, the whole process appeared to have been so tricky that in his memoirs, David Blunkett, the Education and Employment Secretary in charge of designing and developing the new agency, came to the conclusion: *"I ask myself why on earth did I spend so much political energy and personal goodwill on the idea of a major change in the machinery of government."* (Blunkett 2006: 226).

On top of this, when Jobcentre Plus was eventually launched in 2002, it provoked a major industrial dispute which lasted for several months. Across the country thousands of Jobcentre Plus staff encouraged by the trade unions went on strike to protest against the removal of safety screens between them and customers that was part of the reorganisation (The Guardian, 2 March 2002). The issue never really risked putting the roll out of Jobcentre Plus in danger, but *"it was a really hard time"* (Interview UK1).

In retrospect, the whole process went relatively smoothly and had been well managed (National Audit Office 2008). But it faced some important obstacles at all stages, including political resistance to the change in the conditionality regime, turf battles between the departments, and many organizational issues to solve such as unifying IT services and bringing together staff from two different organizational cultures. Besides, a report published by the Work and Pension Select Committee on the lessons learnt from the ONE pilots concluded that: *"Despite the work-first agenda of ONE, the employment effects so far have been disappointing, particularly among clients who are not immediately job-ready, whilst the aspiration to provide an integrated service through a single point of contact has proved difficult to fulfil"* (Work and Pensions Select Committee 2002: 5).

#### **4.8. Discussion**

As illustrated in this case study, the agenda-setting process of Jobcentre Plus in the United Kingdom in many respects contradicts the mainstream rational, problem-solving view of the adoption of organisational reforms.



One cannot deny that the confrontation between activation policy objectives and limitations pertaining to the organisational separation between employment services and benefit payment represents one important element of the explanation for the rise of the integrated services idea in the UK. In 1997, New Labour had arrived in office at a time when the number of inactive benefit caseloads was high and still growing considerably in comparison to the number of unemployed, which was in relative decline. Reflecting these changes, the Labour Party under Tony Blair had prioritised the development and extension of activation policy to categories previously considered as inactive. Until then, these categories of claimants had been, mainly, passively dealt with by the Benefits Agency, which had however only limited knowledge on employment-related issues. As a result, the realisation of the limits of the organisational division between employment services and benefit provision to support the extension of welfare-to-work programmes undeniably constituted one major impetus for serious discussions around the idea of a single integrated gateway in the Labour administration.

But, beyond this, the detailed reconstruction of the agenda-setting process also provides some clear indications that the integration of the ES and BA was not solely about rationalising the delivery of social and employment policies. First, at the very beginning of the process, it is striking that political discussions on the idea of a one-stop-shop emerged at a time when there had never been any strong evidence of the existence of important fragmentation-induced problems for jobseekers to get the services needed. In a similar vein, it turned out that the alleged benefits of an integrated gateway in terms of employment outcomes or services streamlining never really relied on firm empirical evidence before the establishment of the ONE services pilots. Finally, and perhaps even more importantly, Tony Blair's announcement of his decision for an outright merger of the ES and BA only a couple of months after pilot projects had been launched fundamentally contradicts the view of organisational reforms as rationalising reforms primarily driven by the search for more efficient services.

Even when looking at activation policy goals, clearly the relationship between the activation policy agenda of New Labour and the rise of the idea of integrated services was not solely a matter of solving organisational problems. By offering an opportunity to introduce mandatory work-focused interviews, the set-up of a single gateway also enabled New Labour to take a step forward in its activation policy agenda and launch a concrete initiative towards greater benefit conditionality for all inactive benefit claimants, which had been highly controversial up until then. Note that this does not mean that New Labour deliberately used the single gateway to disguise a controversial change in the conditions for receiving benefits. It rather means that the realisation of this possibility further amplified the interest of the New Labour administration in this type of reform.

Finally, the study highlights that the single gateway was very much an initiative led politically, and that political and electoral considerations have played a decisive role in the rise to the top of the political agenda at crucial points of the agenda-setting process. Political considerations were not only important in Tony Blair's early decision to go for an outright merger only one year before the 2001 General Election, they were also essential in the decision to incorporate the idea into the 1998 Green Paper exposing New Labour's welfare reform agenda.

In this respect, it appears that three characteristics displayed by the idea of an integrated gateway have more specifically contributed to make politically very attractive. The first characteristic is its capacity to send clear signals on a number of New Labour's political objectives in the areas of welfare reform and government modernisation, two areas which had been precisely defined as central for the identity of 'New Labour' as a party of change and modernisation. Because it incorporated both the goals of improving the support offered to benefit claimants while strengthening work-related requirements at the same time, the single gateway provided a valuable opportunity to exemplify the mantra "rights and responsibilities together" that New Labour had been keen to repeat in the area of welfare reform during its first term in office. The same could be said in the area of government modernisation, as the integration of all welfare and employment services under one roof also provided a concrete example of New Labour's ambition for joined-up government, which was a central theme in New Labour's strategy to modernise government in a way that would substantially differentiate New Labour from 18 years of Conservative insistence on the rollbacks of the State (Ling 2002).

A second characteristic of the integrated gateway that also contributed to it being picked up in the first years in office was its ability to be sold as a positive reform in a context of rising public and Leftist anger against New Labour's early adoption of benefit restrictions at the more substantive level. Finally, in 2000, the possibility to use the radical merger of ES and BA as an additional proof that New Labour was still committed to and had kept its promises for radical welfare state changes seemed to have been also an important reason for the final decision to rapidly engage in a radical organisational restructuring.

These two last characteristics in particular suggest that the creation of a single gateway to the British benefit and employment system possessed an important credit-claiming function. The group targeted by this credit-claiming function was, however, probably less the median voter than the Conservatives in opposition. Because organisational reforms generally tend to be less visible than substantive change, it would be exaggerated to claim that the Blair government genuinely thought that the establishment of a single work-focused gateway alone could help it secure broad electoral support. And indeed, as it appeared, the announcement of the creation of Jobcentre Plus only received limited media and public attention (Interview UK6, Blunkett 2006: 172). However, to the extent that the reform could further illustrate New Labour's commitment for delivering radical changes, it could constitute an additional protective shield against criticisms from the Conservatives in opposition. In this sense, and despite limited public attention, it would be wrong to argue that the integrated gateway was totally exempt from political and electoral credit claiming considerations by the Blair government.

In fact, it appears that as much as anything it is the portmanteau character of the single work-focused gateway that made it particularly attractive to Tony Blair. To some extent, both in 1997-98 and in 2000 when the merger was announced, the prospective political and policy gains to be made from having a single gateway largely contributed to its emergence high up on the political agenda.

In this process, considerations about the prospective obstacles to administrative reorganisation apparently were largely ignored. One obvious explanation can be seen in the attractiveness of

the multiple gains to be made from the single gateway. However, one also has to recognise that in a bounded rational world, no government can fully anticipate all the complications that may emerge during the policy-making and implementation process of a reform. Moreover, in the British case, a few elements probably helped to render the potential obstacles to the reforms less frightening (Interview UK7). On the one hand, through the ONE pilots, the policy-making team from the concerned Departments had already gained some valuable knowledge on the types of technical and cultural problems they could be confronted with having two agencies work together. Second, the timing of the merger was also close to ideal, as the re-election of Tony Blair as Prime Minister allowed him to reshuffle his Cabinet completely and bring an early end to the on-going turf battles for the head of the Department for Work and Pension. From this perspective, the 2001 election seems to have played a double role of pushing for the early decision to engage in an outright merger of the two national agencies that deal with employment and social policies, and helping Blair to curtail departmental turf battles.

## 5. GERMANY: THE CASE OF THE 'HARTZ IV' REFORM

In 2005, Germany introduced the so-called “Hartz IV” reform, which replaced two benefits schemes for the long-term unemployed, namely unemployment assistance and social assistance, by one single assistance-based benefit for the majority of claimants capable of work but not covered by the insurance system (Unemployment Benefit II). Simultaneously, the Hartz IV reform established a one-stop-shop agency for delivering all services related to the new benefit scheme.

In Germany, coordination efforts through the Hartz IV reform affected, above all, the long-term unemployed and those with low attachment to the labour market. In contrast, unemployment insurance was only marginally included in the integration reform process. Other schemes for working-age inactive people, such as disability or sickness benefit schemes, were equally largely ignored in the political debate on coordination. To a large extent, the possibility for the long-term unemployed with health problems to claim earnings-related unemployment assistance for an unlimited period of time or, as retirement age approached, to be transferred to early retirement programmes, prevented the massive transfers of long-term unemployed to incapacity benefits, a phenomenon that many other European countries experienced in the 1990s. The consequence has been that the coordination debate in Germany focused mainly on the category of the long-term unemployed, which grew substantially in number over the 1990s.

In many respects, the Hartz IV reform has been a large-scale reform. Not only did it affect millions of jobseekers, but it also broke with several decades of small-step reforms in the field of labour market policy. Because the Hartz IV reform *de facto* coincided with the abolition of the earnings-related unemployment assistance scheme, in favour of a generalised assistance-based scheme for all claimants of working age deemed capable of work, the reform brought about a decisive, path-breaking shift with the German Conservative type of welfare state and its traditional reliance on status maintenance.

The adoption of the reform proved difficult for the Schröder government. During the legislative phase, it had to contend with strong political resistance from the Christian Democrat (CDU) opposition and the *Länder*, which eventually resulted in a complex division of responsibilities between local authorities and the federal state. Perhaps more importantly, the reform provoked a large wave of public resistance, and its introduction raised a public shock when the number of registered unemployed climbed to over five million people, forcing Chancellor Schröder to call for an early election. Finally, the reform divided the Social Democratic Party to such an extent that a left-wing fraction broke away to create a new party, WASG, which later became “die Linke”. Hence, perhaps even more crucially than the British Jobcentre Plus reform, the case of the Hartz IV reform typifies the question: what could convince a government, especially a Social-Democratic-led one, to embark on a reform of that magnitude, in spite of strong opposition from its own party and the multiple institutional obstacles to overcome?

As previously mentioned, the German case stands out, as, strictly speaking, the Hartz IV reform was not an organisational reform but combined substantive and organisational integration. From the outset, the discussions on the coordination of the overlapping unemployment assistance and social assistance schemes, whether among experts or on the political sphere, included the possibility of merging the two schemes as a means of solving the inefficiencies arising from the co-existence of the two systems. During the whole agenda-setting process, the substantive aspect was seen as the most radical reform option, and thereby, potentially also the most controversial one. The main question was ‘do we dare merge the two schemes or do we stick to organisational changes?’ For this reason, the interest in this chapter is on the substantive aspect of the Hartz IV reform as much as on the organisational aspect.

The case study takes its starting point in 1998, when the red-green government, led by the Social-Democrat Schröder, came into office, after 16 years of a black-yellow government. It is indeed at that time that several initiatives for greater coordination were launched. Subsequently, two events are commonly said to have played a crucial role in the government’s decision to engage in the reform: first, the appointment of the Hartz commission in early 2002, and the ‘Agenda 2010’ reform programme unveiled before Parliament by Schröder in March 2003. For many observers and experts, the reform could certainly not have happened without these two events occurring. Particular attention is therefore paid to the factors that led to these two events. Finally, the case study ends with brief accounts of the legislative phase and implementation of the Hartz IV reform in 2005, essentially with a view to illustrate the consequences of the decision taken by Schröder in 2003.

## **5.1. The social security system for jobless people in the 1990s**

### ***The benefit system***

Among European countries, Germany has long been (and to a large extent is still today) considered as the prime example of the Conservative-Corporatist welfare regime, giving prominence to the notion of status maintenance, and coupled with it, social insurance as the main form of benefits (Hinrichs 2010, Clasen and Goerne 2011). Unemployment was no exception, and the system that grew to protect people from the risk of unemployment was built around the combination of these two principles. This was first visible in *unemployment insurance (Arbeitslosengeld)*, which was a typical social insurance scheme, funded by social contributions and guaranteeing wage replacements for workers who found themselves temporarily out of work. In the 1990s, it granted benefits of up to 60-67 per cent of the previous insured wages for a period of 12 months, which, however, could be extended for up to a maximum of 32 months for the older workers.

The importance of the status maintenance principle was then visible in the existence of a second type of benefit, *unemployment assistance (Arbeitslosenhilfe)*, which came as a second-tier employment benefit for the long-term unemployed who had exhausted their entitlement to

unemployment insurance. Unemployment assistance had been originally introduced in the 1920s to avoid unemployed workers ineligible for unemployment insurance being forced to rely on the harsh 'poor law' regulation (Finn et al. 2005: 7). In the 1990s, this heritage was still visible, as it was still conceived of as a second insurance-based tier to lower the risk of unemployment (Knuth 2009). Eligibility was dependent on having paid sufficient social contributions, and benefits were determined on the basis of previous insured income. The replacement rate was, however, lower than in unemployment insurance (53-57%), and as its name indicated, unemployment assistance borrowed features from an assistance-based regime. Among them was the fact that eligibility was determined by means-testing and was financed by federal taxes, and not social insurance contributions. Moreover, like typical assistance-based benefit, entitlement to unemployment assistance was not limited in time.

Regarding active labour market policy, unemployment assistance, like unemployment insurance, came under the federal law on employment promotion. Therefore, unemployment assistance beneficiaries were subjected to the same employment-related rights and obligations as those on unemployment insurance (cf Steffen 2011). They had to be available for work and be registered with the PES. In return, they were legally allowed to access the same portfolio of active labour market measures as beneficiaries of unemployment insurance.

Finally, a third benefit scheme existed, which was *social assistance (Sozialhilfe)*. In contrast to the two types of unemployment benefits, social assistance was governed by the principle of neediness (Knuth 2009) and ensured a minimum income of last resort for all those who lacked sufficient resources. Social assistance was therefore granted to all the unemployed who were not eligible for unemployment assistance or insurance or whose work income or unemployment benefits were too low (Finn et al. 2005: 8). Compared to unemployment assistance, social assistance payments were subject to a stricter means-test and, in terms of obligations, job suitability criteria were more strictly defined, as fit-for-work social assistance beneficiaries had to accept any available job.

In legal terms, social assistance was regulated at the federal level through the federal law on social assistance. The law defined the core principles of social assistance, and since 1961, also provided the possibility for the implementation of active labour market measures in the form of public employment programmes, either with or without contract (Voges et al. 2001: 71). However, while regulation was conducted at the federal level, its implementation and funding were left to local authorities. In this respect, social assistance was emblematic of German co-operative federalism which split legislative and financial responsibilities between the different levels of government, fostering attitudes of 'fiscal irresponsibility' at the federal level, i.e. deciding on expansionary reforms without having to bear the costs (Manow 2005: 224).

To conclude, with unemployment assistance and social assistance, Germany basically had two 'overlapping' benefit schemes for the unemployed who did not qualify for unemployment insurance, either because they did not fulfil the eligibility criteria or because they had exhausted their entitlements. Both schemes provided benefits for an unlimited period of time. Yet, they differed significantly regarding the type of benefits they provided, their activation systems, and their mode of funding. Unemployment assistance was financed by federal taxes, while social assistance was funded from municipal budgets. Despite this formal co-existence,

it is worth noting that because unemployment assistance provided benefits to the long-term unemployed for an unlimited period of time, social assistance long remained a marginal scheme. It is only when long-term unemployment began to rise in the 1980s, and when the access to and the generosity of unemployment assistance were progressively restricted, that the number of people forced to rely on social assistance to receive a minimum income, or to top up their unemployment benefits, started to increase.

### ***The organisational system***

With respect to its delivery system, the German social security system for jobless people of working age displayed two specificities: first, a surprising centralisation of tasks for the beneficiaries of the two unemployment benefits, namely unemployment insurance and unemployment assistance; second, a sharp administrative division between the two unemployment benefits on the one hand, and social assistance on the other.

Since the introduction of unemployment insurance in 1927, the task of administering unemployment insurance and providing employment services (i.e. job search support, job placement and active labour market policy) has always been carried out by one single organisation, namely the Federal Employment Agency (Bundesanstalt, now Bundesagentur für Arbeit; thereafter PES). Unlike in many European countries, Germany has therefore never experienced an organisational fragmentation of the delivery of passive and active benefits. Moreover, the PES not only provided services to beneficiaries of unemployment insurance, but also to beneficiaries of unemployment assistance. In sum, the local PES offices acted as a one-stop organisation for recipients of both unemployment benefits (Eichhorst et al. 2008a, Konle-Seidl 2008).

The PES was, and still is, a self-administered structure mainly financed by contributions. It was self-administered by a tripartite governing board composed of the government (all levels being represented), employers' organisations and trade unions. Albeit formally under the supervision of the Federal Ministry of Employment, up until the time of the Hartz IV reform, the PES traditionally enjoyed much autonomy in the implementation of unemployment benefits and active labour market programmes. Regarding the latter, although the main programmes were specified in federal legislation, the PES and its board were in charge of allocating resources to the different programmes (Konle-Seidl 2005).

The unified delivery structure of the two unemployment benefits was, however, counterbalanced by a sharp organisational divide between unemployment benefits and social assistance. This division could be first found at the ministerial level, as unemployment benefits and social assistance were dealt with in two different ministries until 1998. While unemployment benefits usually fell under the responsibility of the Ministry of Employment, while responsibility for social assistance was, with few exceptions, taken on by the Ministry of Health<sup>39</sup>.

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<sup>39</sup> In 1998, when the red-green government arrived in office, responsibility for social assistance was however transferred to the Ministry of Employment, signalling a willingness to include the scheme in efforts to employment promotion (Interview G10, Hassel and Schiller 2010a: 196)

This division was replicated at the delivery level. Whereas the PES was responsible for the two unemployment benefits, it was up to the local authorities to administer social assistance and to develop their own active labour market programmes for that category of beneficiaries. For a long time, the activation dimension remained dormant in social assistance. However, as caseloads rose, and with it the proportion of unemployed people on social assistance, local authorities became more strongly involved in that area. However, because social assistance was financed by local authorities, efforts in the early 1990s varied greatly from location to location (Voges et al. 2001). Generally speaking, however, the activation system operated by local authorities remained quite rudimentary, mostly focused on public employment programmes (Eichhorst et al. 2008a: 20). Theoretically, the unemployed on social assistance could have access job search counselling offered by the PES, as well as some active labour market programmes from the portfolio of the PES, under certain conditions. However, in practice, these opportunities were very unevenly used. Overall, the collaboration between the PES and municipalities remained very poor throughout the 1990s (Bertelsmann Stiftung 2000).

### ***The issue of unemployment in the 1990s***

Like in most European countries, unemployment started to become a structural problem in Germany in the late 70s and early 80s in the aftermath of the two oil crises. The second oil crisis in the 1980s hit Germany especially hard, with unemployment climbing up and remaining at high levels throughout the decade. Alongside high unemployment rates, a high share of long-term unemployment (already then, every third unemployed person was long-term unemployed) and employment levels below the OECD-18 average, were all signs of structural weaknesses in the German labour market. However, in the 1980s, the overall labour market situation in Germany was broadly in line with that of most European countries (Manow and Seils 2000, Hassel and Schiller 2010a).

The responses adopted by the conservative-liberal government under Chancellor Kohl did not significantly differ from the rest of Europe either. They consisted mainly of modest cost containment reforms of unemployment insurance (in the form of reduced replacement rates and longer contribution periods) and extended the use of welfare state instruments to reduce labour supply. Several routes to early retirement were built, entitlement to unemployment insurance was extended for older workers and active labour market programmes were expanded drastically in order to reduce open unemployment<sup>40</sup> (Manow and Seils 2000: 203, Hassel and Schiller 2010a: 66-68, Dingeldey 2011). Helped by an economic recovery, this labour-shedding policy effectively led to a decrease of unemployment by the end of the 1980s. However, it also came at the expense of long-term unemployment, which increased sharply during that period. Following this trend, social assistance caseloads and spending doubled between 1980 and 1989 (Hassel and Schiller 2010a: 68-70).

The reunification in 1990 marked an end to the brief economic recovery and posed a new challenge for the German labour market. The collapse of the economy in Eastern Germany led

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<sup>40</sup> Open unemployment refers to the part of jobless people that are registered as unemployed, and is recorded in official statistics on unemployment.



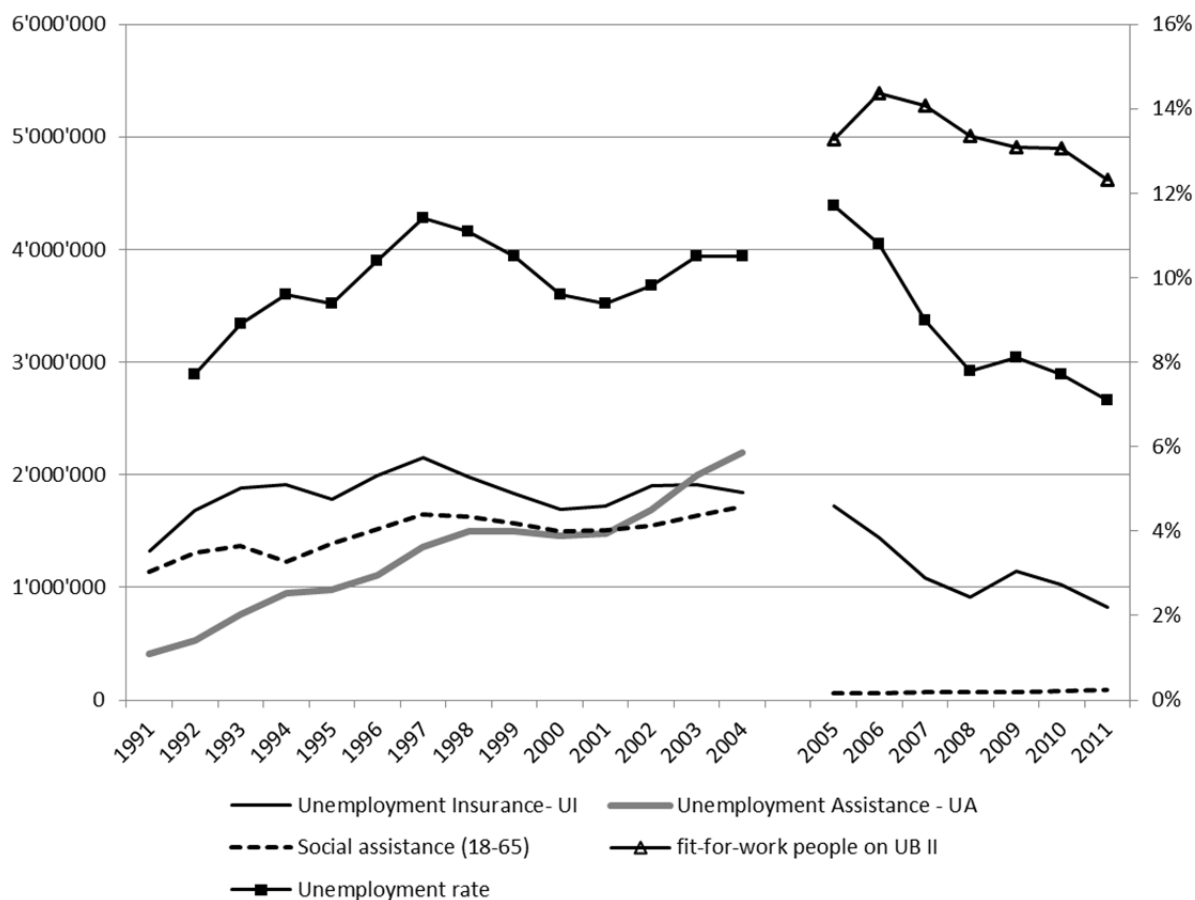
to new peaks in unemployment figures, soon aggravated by a severe recession in Western Germany. The first response of the Kohl government, in agreement with all political actors, including social partners, was to continue with the same labour-shedding instruments as in the 1980s. In the first years following the reunification, older workers were massively transferred to early retirement programmes, and active labour market policy expanded to unprecedented levels (Manow and Seils 2000: 293).

However, this policy quickly proved so harmful to the unemployment insurance funds and the federal budget that the liberal-conservative government of Kohl found itself forced to turn away from that strategy and adopt a more offensive cost containment programme. Until 1998, several reforms were therefore implemented, which were mostly directed at unemployment assistance: benefit levels were reduced and entitlement to unemployment assistance was limited to one year for those with contribution exemptions (*originäre Arbeitslosenhilfe*). At the same time, the first steps were taken towards establishing a more effective activation approach to unemployment benefits. Tighter job suitability criteria were introduced in the two unemployment benefits and benefit receipt was also made dependent on being available for work and actively looking for a job (Dingeldey 2011: 73).

These reforms represented a step away from the status preservation orientation of unemployment benefits. Nevertheless, the activation approach still remained half-hearted on the whole, and the overall orientation of unemployment benefits still remained predominantly passive. Politically, more structural reforms were hardly conceivable. All attempts by the Kohl government at implementing more fundamental reforms, such as limiting entitlement to unemployment assistance to two years, had been vigorously opposed by the Social Democrats in the second chamber of Parliament (Hassel and Schiller 2010a: 106-107).

Additionally, the latest reforms proved ineffective in reducing unemployment. On the contrary, in 1997 the number of unemployed people rose above the threshold of 4 million and stayed above that line in the following years (Bundesagentur für Arbeit 2010: table 7.1). Even more critically, the rise in unemployment was mostly due to a substantial increase in long-term unemployment. Whereas the number of recipients of unemployment insurance remained relatively stable over the 1990s, the number of recipients of unemployment assistance increased from 0.8 to 1.5 million between 1993 and 1998 (see figure 5.1; Bundesagentur für Arbeit 2010: table 9.1). At the same time, employment was still declining, exacerbating the problem of 'welfare without work' (Esping-Andersen 1996) that Germany had confronted since the 1980s.

**Figure 5.1: Unemployment rate (right axis) and absolute number of recipients of unemployment-related benefits (left axis)**



*Note:* social assistance caseloads includes only working-age people (between 18 and 65 years old) in receipt of income support benefits (Hilfe zum Lebensunterhalt)

*Sources:* Bundesagentur für Arbeit: Statistik, and Statistisches Bundesamt (for social assistance caseloads)

Finally, another effect of the reform policy of the Kohl government in the 1990s was the emergence of cost shifting practices between the two unemployment benefits managed at the federal level on the one hand, and municipal social assistance on the other<sup>41</sup>. On the one hand, benefit cuts in unemployment assistance and unemployment insurance resulted in a growing number of jobless people having to rely on social assistance, and thereby an immense burden on municipal finances. On the other hand, as a response to that development, municipalities equally started to extensively use active labour market programmes, and more precisely public employment measures (in the form of contribution based employment relationship) in order to shift their beneficiaries on to unemployment insurance and thereby reduce their expenditures.

The actual importance of such cost-shifting practices from municipalities and how explicit they were in politicians' minds remain subject to interpretations. According to one respondent

<sup>41</sup> Similar cost shifting practices between the federal budget and the unemployment insurance funds were frequent since the 1980s, but became increasingly difficult in the 1990s as both budgets got massively overburdened after the unification (Manow and Seils 2000)

who conducted a study on municipal active labour market policy in the late 1990s, claims that the strategic use of public employment programmes was widespread among municipalities, and led to important cost shifting effects ways, were exaggerated. There were municipalities that developed an active labour market policy with this aim in mind, but they were usually not the biggest ones (interview G6). Nevertheless, from the mid-1990s the topic was increasingly picked up in political debates, and at the beginning most vociferously by Social Democrats and municipal umbrella organisations to condemn the Kohl government's latest reform efforts to reduce access to and generosity of unemployment assistance (Hassel and Schiller 2010a: 82-83).

## **5.2. The political context**

### ***Government capabilities in the German political system***

In view of a persistent poor labour market performance, combined with the incapacity of Germany to embrace structural reforms, specialists came to designate Germany as afflicted by a '*Reformstau*'. The concept of '*Reformstau*' had already gained popularity in public debate in 1997, as proven by the fact that it was selected as the word of the year by the German Language Society (Auel 2010: 232). In September 2002, after one legislative period of the red-green coalition, Germany had still not departed from the slow path of incremental reforms characteristic of the 1980s and 1990s (Kitschelt and Streeck 2003). At that time, Germany was lagging so far behind other European countries that it also became famous as "the ill man of Europe" (Auel 2010).

For a long time, the German '*Reformstau*' used to be explained by some particular features of the political system, which enabled many different actors to block a reform proposal. In particular, the *Bundesrat*, the second chamber of Parliament representing *Länder* governments, was viewed as a potentially powerful veto player for reform-minded governments when the opposition party held a majority of seats (cf Trampusch 2003). During the most part of its last two terms in office (1991-1998), the Kohl government found itself caught in such a political configuration, forcing it to negotiate with the Social-democratic-led *Länder* in the *Bundesrat* on most of its plans for reforming unemployment benefits and social assistance (Manow 2005, Hassel and Schiller 2010a). Similarly, after losing its majority only four months after coming into office (due to a Land election in Hessen), the red-green government under Schröder had to cope with a hostile *Bundesrat* almost throughout the entirety of its two terms in office (1998-2005). The potential opposition of the *Bundesrat* did not prevent the Schröder government from engaging in the Hartz IV reform. But it is true that the government's initial proposal was seriously altered in the political negotiations with the *Bundesrat*, which particularly impinged upon the organisational and financial aspects of the reform (see section 5.6).

Another well-known feature of the German political system that has strong potential for limiting government policy is the Federal Constitutional Court, which may declare legislation unconstitutional and thereby ineffective (Kitschelt and Streeck 2003, Clasen 2005). In the

case of the Hartz IV reform, the Constitutional Court again expressed its veto and declared the joint jobcentres as unconstitutional in 2007.

As powerful as they were in the case of the Hartz IV reform, these institutional veto points however, usually come into play in the legislative and implementation phases. In contrast, they seem to be less relevant when it comes to governments' initial reform plans. True, governments may refrain from making radical reform proposals in anticipation of potential backlashes. But at that early stage, other factors are likely to be of greater importance, such as intra-party opposition<sup>42</sup> or the party system. Regarding the Germany party system, several authors have pointed out that the system, which evolved over time to be a two-party system dominated by two pro-welfare parties, the Christian Democratic Union (CDU) and the Social Democratic Party (SPD), had become a powerful obstacle to radical reform initiatives in the field of welfare state (Kitschelt 2003, Picot 2009). Such a political configuration meant that for any incumbent party interested in radical welfare state reforms, the risk of seeing its core electorate turn to the other party at the next election, be it at the federal or at the *Länder* level, was high. This is exactly what happened to the Kohl government at the end of its term when it initiated a shift towards a more liberal position and started to engage in more radical labour market policy reforms<sup>43</sup> (Zohlnhöfer 2001, Manow 2005: 257). The story was a bit different in the case of the Hartz IV.

### ***The 1998 election: the new red-green government, its promises and dilemmas***

After 16 years as the opposition party, the Social Democratic Party (SPD) defeated the Christian Democratic Party (CDU) in the 1998 general elections. As suggested above, its election victory owed much to the negative performance records of the Kohl government with regard to its labour market policy and the recent reorientation of its reform agenda towards more radical retrenchment (Kitschelt 2003, Manow 2005: 257, Picot 2009: 172). These two developments offered a welcome opportunity for the Social Democratic Party to gain the votes of CDU supporters dissatisfied with the course of events. In the last years of the Kohl era, the Social Democratic party thus did much to reinforce its image of a pro-welfare party. It repeatedly campaigned against the retrenchment proposals of the Kohl government. In 1998, its promise to immediately undo the Kohl government's benefit cuts in pensions and sickness benefits if they won office (Manow 2005: 275) was equally part of their strategy of attracting votes from the dissatisfied pro-welfare middle class. This also allowed the Social Democrats to regain trade unions' electoral support, whose links with the SPD had eroded since the 1980s (Hassel and Schiller 2010a: 149).

In parallel, the SPD also underwent a gradual move towards more liberal and economy-friendly positions. This reorientation had already begun before the Kohl government announced its new retrenchment agenda. After they lost the 1994 election, it was clear to the

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<sup>42</sup> In the 1980s, one reason why the Kohl government failed to realise its commitment to cost containment in the welfare state despite a majority in the Bundesrat was the strong opposition of social experts within its own party (Hassel and Schiller 2011: 75-76).

<sup>43</sup> The story was however a bit different in the case of the Hartz IV reform, as the creation of a new left-wing party allowed parts of the dissatisfied Social-Democrat electorate to turn to the left wing of the political spectrum (Picot 2009)

SPD leaders that the party would not be able to win an election without gaining votes from the centrist electorate of the CDU (Hassel and Schiller 2010a: 140-141). In the subsequent years, this move towards a more economy-friendly position found its clearest manifestation in the nomination of Gerhard Schröder, a partisan of the modernist wing, as Chancellor Candidate for the SPD. However, unlike in the British Labour Party under Tony Blair, the reorientation of the German SPD remained hesitant, hindered by intra-party conflicts between the modernist and traditionalist wings. As a result, different to its British counterpart, the SPD's campaign for the 1998 general election lacked a coherent and thoughtful reform programme for a renewed Left. Instead, its election manifesto consisted of a mix of elements in the two directions (Padgett 2003: 42, Hassel and Schiller 2010a: 142), which combined liberalising economic commitments like the reduction of business taxation and non-wage labour costs with traditionalist socio-democratic pledges, such as the preservation of social security and social justice (SPD 1998).

This double strategy proved electorally successful, enabling the SPD to win the election in September 1998 with a high number of votes, which earned them a comfortable parliamentary majority through the formation of a coalition with the Greens. Yet, it also came at the price of an empty programme agenda. Indeed, the SPD party manifesto remained fairly vague in terms of the concrete reforms to be adopted. The coalition agreement, signed in October 1998 with the Green Party, did not go much further. It reiterated the reduction of mass unemployment as the red-green government's key objective, and Schröder even announced that the reduction of unemployment to below the threshold of 3.5 million people was the yardstick by which it wished to be judged at the end of the legislative period (Blancke and Schmid 2003).

Yet, this very precise objective did not meet with similar concrete solution proposals at that stage. The centrepiece of its agenda was actually the creation of an Alliance for Jobs to work out concrete solutions to tackle mass unemployment in a concerted way between the government and social partners (SPD and Bündnis 90/Die Grünen 1998). The promise of an Alliance for Jobs, which already constituted Schröder's central pledge during the election campaign, certainly proved a successful electoral strategy. It enabled him to avoid having to put forward concrete reform proposals during the election campaign, while offering trade unions and employers the attractive prospect of directly influencing the government's agenda (Schroeder 2003: 129). Yet, it also meant that Schröder arrived in office without any firm idea on the labour market policy he would implement during his term (Hassel and Schiller 2010: 196).

### **5.3. The coordination debate in the 1<sup>st</sup> term in office (1998-2002)**

#### ***The coordination debate in 1998***

In 1998, in the run-up to the general election, the political debate was dominated by the reduction of mass unemployment, and more specifically, long-term unemployment. In this context, the architecture of the German unemployment protection system was increasingly singled out as one of the main causes of Germany's unemployment problem. The

conservative parties, the CDU and the Liberal party, and the federal organisation of employers were the most vigorous actors to condemn the system. However, a political consensus across the political spectrum emerged, which recognised a number of systemic problems related to the co-existence of two parallel assistance-based schemes for the long-term unemployed and those on social assistance. Criticisms essentially pertained to the failures of both schemes to promote labour market integration and to organisational inefficiencies:

- the low or even negative institutional incentives for recipients of both unemployment assistance and social assistance to take up low-paid work (for a discussion on the issue of work incentives in both schemes in the late 1990s, see Berthold et al. 2000),
- the underdeveloped efforts by local PES and municipal social assistance offices to develop and allocate adequate active labour market instruments to the long-term unemployed<sup>44</sup>; and concerning social assistance beneficiaries more specifically, their very limited access to active programmes offered by the PES (interviews G1, G9, G10)
- inefficient and user-unfriendly duplication of services arising from the co-existence of the two schemes, and finally,
- the counterproductive effects of cost-shifting practices between the two federal unemployment benefits on the one hand, and social assistance on the other.

While the issue of a greater coordination of the two schemes had already been raised in the previous years, several developments in both the expert and political arenas took place in 1998 that signalled that the issue was starting to receive serious consideration (interview G10).

In the expert arena, this was first illustrated by the publication of a guideline for inter-agency collaboration between local PES offices and municipal social assistance offices in connection to their efforts on labour market integration. The guideline, which came out before the red-green government, was not binding as such; it rather recommended that the two agencies combine their efforts to reintegrate their common beneficiaries into the labour market more quickly, and to that end, documented several possible ways to do so (IAB 1998). The initiative for the guideline was not politically driven, but originated from the federal organisations involved in the delivery of the two benefits. Nevertheless, it was the first time that national organisations from both sides had officially stated their support for stronger inter-agency collaboration, and the guidelines soon gave rise to a large variety of collaboration projects at local level (Prietzl 2002: 38).

In parallel, the issue of the coordination of social and unemployment assistance also emerged in political debates, largely in connection with the general election to be held in October of that year. It is in this context that the radical solution of the integration of the two benefit

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<sup>44</sup> While the problem of access to adequate active instruments was identified as particularly important for social assistance benefit claimants, some criticisms also pointed to the reduced efforts made by PES to get recipients of unemployment assistance back, to work as compared to recipients of unemployment insurance (Clasen and Goerne 2011).

systems, both at the organisational and substantive levels, was first formulated. Two actors played an important role in launching discussions around the idea of integration. One was the federal organisation of employers (BDA), which had presented a comprehensive reform concept to encourage low-wage employment in Germany already in 1997 (*Kombilohn*). At the core of the reform concept was the introduction of in-work benefits for social assistance beneficiaries taking up low-paid jobs. However, in parallel, the BDA also asked for more structural changes in the unemployment protection systems, among which the merger of the PES and social assistance offices into one single ‘citizen office’, and in the long term, for the incorporation of unemployment assistance into social assistance (IAB 1997). The proposal quickly found a positive echo in the CDU. In its 1998 party manifesto, it declared its intention to develop a *Kombilohn* model coupled with a reshuffled assistance-based benefit scheme including unemployment assistance (CDU/CSU 1998: 7).

The second political actor to play an important role was, more surprisingly, the Green Party. Its approach was however different, since its objective was the creation of a social minimum income in order to tackle poverty in a more coherent way. However, the resulting proposed scheme was quite similar, i.e. a new flat-rate scheme which would replace social assistance and unemployment assistance (as well as asylum seekers’ allowances) (Bündnis90/Die Grünen 1998).

In contrast, the SPD took a more cautious stance on the issue throughout the 1998 electoral campaign. While recognising the need for greater coordination for long-term unemployment, its election manifest actually only mentioned a broad commitment to reinforce collaboration between local PES and social assistance offices so as to facilitate job placement and avoid unnecessary bureaucracy (SPD 1998). To a large extent, this cautious position reflected the powerful position of the traditionalist and trade unionist wings in the party, which strongly opposed any fundamental change to the benefit system in the direction of a degradation of the status-oriented social protection (interviews G3, G8)

As a consequence, in its negotiations for a coalition programme, the red-green coalition refrained from any radical reform proposal regarding the protection system for the unemployed- despite the Green Party’s pledge to introduce a social minimum income. Instead, the ‘Alliance for Jobs, Training and Competitiveness’ was officially launched in December 1998. As stated in the coalition programme of October 1998, the Alliance for Jobs would devise a global reform strategy in order reduce non-wage labour costs, increase employment, reform profoundly the social insurance system, and develop labour market instruments to tackle youth and long-term unemployment (Eichhorst 2002: 2, Streeck 2003). But it rapidly became clear that the Alliance for Jobs was to fail (see below).

### ***The emerging consensus on a merger behind the scenes***

While publicly the SPD took a cautious approach to labour market reforms, discussions on a reform of unemployment assistance and social assistance actually began quite early on in more informal reform-minded circles. From 1998-1999, several informal working groups were set up to examine the most effective ways to improve the coordination of the two schemes with a view to reinforcing their work focus and facilitate transitions into

employment. The impetus for their establishment was therefore closely related to the search for a more effective activation policy for the long-term unemployed.

Whereas these working groups worked relatively independently from each other during the early years of the red-green coalition's first term in office, they nevertheless rapidly came to the same conclusion that only the integration of the two schemes at both the substantive and organisational levels could deliver the most effective results and durably eliminate problems of organisational duplication and institutional incentives to shift costs (Projektgruppen SGBIII und Sozialhilfe (Ländervertreter) 2002). By creating a consensus among relevant policy-makers from the administration and societal actors on the necessity of a full integration and by formulating the first concrete proposals about the basic features of the new benefit schemes, these working groups prepared the ground for a subsequent rapid political decision (interview G10).

*a. The working group of SPD-led Länder*

One of the first informal working groups to investigate the potential for a greater coordination of unemployment and social assistance was a working group constituted by representatives of SPD-led *Länder*. Active from 1996-1997, whose mandate was to evaluate the possibilities to reform unemployment and social assistance in case their party were to win the election (interview G7) From the beginning, the project was driven by the overall objective to assess whether and how a reform of the two systems could help to develop a more active and sustainable fight against long-term unemployment through the mobilisation of adequate resources and skills (Projektgruppen 'AFG-Reform' und 'Sozialhilfe' 1998: 2).

In its position paper of January 1998, the group presented two models, both of them in the direction of integration. The first model was an extended unemployment assistance scheme, which would cover all social assistance recipients deemed as fit for work<sup>45</sup>, and fall under the overall responsibility of the PES. Such a model had the considerable advantage of creating one single centre of competence for all the unemployed, including the short-term insured unemployed and giving social assistance recipients automatic access to the job placement and active labour market instruments of the PES. However, the report also stressed the necessity of expanding financial resources for labour market integration.

The second model was the social assistance model according to which all the long-term unemployed would be transferred to social assistance and the municipalities would become the single entity responsible for them (Projektgruppen 'AFG-Reform' und 'Sozialhilfe' 1998). Such a model would allow for the offering of a tailored support to the long-term unemployed, as both social and labour market integration instruments would be gathered under the responsibility of municipalities. However, as described in the report, the model would also entail several weaknesses, the most important ones being that all unemployment assistance recipients would fall in an assistance-based regime, and that the model would crystallise a dual integration system for the easy- and hard-to place unemployed.

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<sup>45</sup> If necessary, it was envisaged to limit the duration of earnings-related UA benefits and to complement them with flat-rate UA benefits



The group was unable to reach an agreement on a preferred model. In its view, given the high political salience of the topic, the choice of one of the two models would first need a clear political decision. If not, a progressive approach of intensifying inter-agency collaboration and harmonising rules and instruments of labour market integration were to be favoured (Projektgruppen 'AFG-Reform' und 'Sozialhilfe' 1998). However, the group agreed on a certain number of conditions to be respected if the integration had to become reality (Projektgruppen 'AFG-Reform' und 'Sozialhilfe' 1998). They were:

- the federal state should have the overall responsibility for unemployment;
- the organisational and financial responsibility should go together;
- long-term unemployed should be dealt with by one single front-line agency;
- if benefit levels were to be adapted, this should not happen downwards, and finally,
- the reform should come at no additional cost to any entity involved. The working group, however, assumed that an integration could be costless through the savings to be made by eliminating organisational overlaps and the increased rates of labour market participation (Projektgruppen 'AFG-Reform' und 'Sozialhilfe' 1998).

Following the position paper, the working group continued to meet regularly at least until 2002 to develop a more detailed conceptualisation of the different reform options. Over time, its preference increasingly went in direction of an integrated assistance-based benefit scheme for the job-ready long-term unemployed. In line with the conditions that benefit levels should not be reduced, the idea was benefit levels would be higher in the new scheme for the job-ready long-term unemployed than in the remaining social assistance (interview G9). However, by 2002, there was still no unique position on who from the PES or municipalities should take over responsibility for the new scheme.

#### *b. The Bertelsmann-Foundation working group*

In the follow-up to the 1998 general election, another working group, the so-called Bertelsmann commission (named after the foundation heading it) was established, this time under the impetus of an elected official from the Ministry of Employment and Social Affairs (thereafter Ministry of Employment). At its creation, the commission was not intended to focus only on a merger of the two benefit schemes (interview G1). Rather, its objective was to bring together all societal actors to openly discuss all possible ways of coordinating the two systems for the long-term unemployed, including increased collaboration between the PES and social assistance offices or a harmonisation of the two federal laws. In this respect, one central criterion by which the different options of coordination were assessed were their capacity to improve the labour market support and instruments available to the two categories of long-term unemployed (interview G6).

**Table 5.1: Reform chronology of the Hartz IV reform**

Year	Measure
January 1998:	Unpublished report from SPD-led Länder on the possible ways to reform unemployment and social assistance in case the SPD wins the general elections
Sep. 1998:	The SPD wins the general election and forms a coalition government with the Green Party
1999 (-Spring 2003):	Setting-up of the <i>Bertelsmann working group</i> to openly discuss ways of coordinating the two systems for the long-term unemployed. <ul style="list-style-type: none"> <li>• It publishes a position paper in June 2002 pleading for the integration of the two benefits</li> </ul>
Spring 2001 (- 2003)	The <i>MoZArT project</i> is launched <ul style="list-style-type: none"> <li>• 30 local projects experiment different forms of collaboration between the PES and municipalities with respect to long-term unemployed</li> </ul>
Autumn 2001:	Adoption of the <i>Job-ACTIV Law</i> (which came into force in January 2002)
February 2002:	Job placement scandal of the Federal Employment Agency (PES), <ul style="list-style-type: none"> <li>• Schröder announces the creation of the so-called <i>Hartz commission</i></li> </ul>
March 2002:	Appointment of the <i>Commission of Municipal Finances</i> to propose solutions to the municipal financial crisis.
August 2002	Publication of the the Hartz commission report. The proposals include: <ul style="list-style-type: none"> <li>• Unified local jobcentres for all the unemployed</li> <li>• Integration of unemployment &amp; social assistance benefits</li> </ul> <p>Schröder states his commitment to a ‘one-to-one implementation’</p>
Sept. 2002:	Narrow re-election of the red-green coalition government
Winter 02-03:	Unemployment rises again, electoral defeat of the SPD in two Länder
14 March 2003:	Schröder divulgates his ‘ <i>Agenda 2010</i> ’ reform programme to Parliament, in which the Hartz IV reform is one centrepiece. The main features of the new benefit scheme are: <ul style="list-style-type: none"> <li>• Benefit levels at the level of social assistance</li> <li>• PES gets the overall organisational and financial responsibility</li> <li>• Tightened job suitability criteria and sanctions, but introduction of more generous earnings disregards</li> </ul>
Sept. 2003 (- June 2004):	Parliamentary decision-making phase. The Schröder government accepts many concessions for the Hartz IV to get passed by Bundesrat. <ul style="list-style-type: none"> <li>• Two organisational models: one co-location model and one pilot model run exclusively by municipalities (Optionskommunen)</li> <li>• Financially, the PES finances passive benefits and ALMPs, while municipalities pay for social measures, housing and heating costs</li> </ul>
01.01.2005:	The Hartz IV reform comes into force
Spring 2005:	Following a statistical unemployment rise and two subsequent electoral defeats at the Länder level, Schröder calls for a preemptive election.

To ensure truly open discussions, only reform-minded experts from the Ministry of Employment, social partners, local authorities and their head organisations were invited (Hassel and Schiller 2010a: 213). In contrast, members of political parties were deliberately excluded so as to avoid as much as possible ‘institutionalised’ positions. Albeit apparently disconnected from the previous working group, the establishment of this commission was soon perceived by the Social Democrats delegates within the Ministry of Employment as a strategic tool to ‘give a neutral, additional legitimacy to the proposals discussed within some circles of the SPD since 1996/97’ (interview G7)

The group met regularly between Autumn of 1999 and April 2003 (Fleckenstein 2011: 125), even though it lost much of its significance in the Summer of 2002 following the publication of the report of the Hartz commission (interview G1). In this framework, they visited some innovative collaboration approaches developed at local level and also inspected the Dutch model of one-stop jobcentre (interview G1). To support their discussions, it also commissioned a few studies, such as a survey of existing projects of collaboration between local PES and social assistance offices in Germany or a legal expertise on the feasibility of the various coordination options (interview G10, Fleckenstein 2011: 172).

Although the initial mandate was not centred on the integration of unemployment and social assistance, a consensus gradually emerged around the idea that the more the systems are integrated, the better the collaboration works and the greater are the effects in terms of returns into work (interviews G6, G10). In this process, the legal expertise, although it concluded that an integration of the two benefit schemes was legally impossible, seemingly marked as a key turning point in the emergence of a consensus in favour of an outright integration of unemployment and social assistance:

*“We mandated an expert review of the feasibility for integrating the two systems. And the experts came to the conclusion that it was not feasible because one looked at it from a labour market perspective, and the other from the social assistance point of view. But even so, it was clear to us in the Bertelsmann group that we needed such a debate. So, we started to talk about it, why it would not be feasible and what we could do.”*  
(Interview G10)

From that moment, discussions turned to the general features the new benefit could take (interview G6, Hassel and Schiller 2010a: 217). A position paper published in June 2002 summarised the conclusions the group had come to with respect to the integration of unemployment and social assistance. The paper first indicated that members had agreed on some core features of the new benefit scheme. These were a means-tested benefit that should broadly refer to social assistance, and a broad eligibility which included all jobseekers in need and capable of working at least three hours a day. However, at this time, the allocation of financial and organisational responsibility still remained disputed, so the paper made no firm statement on these two aspects (Bertelsmann Stiftung 2002b, Fleckenstein 2011: 172).

But the position paper also clearly embedded the reform of unemployment and social assistance in a broader activation policy reform programme. Accordingly, the reform should have as a key objective the concentration of resources and efforts on active labour market

programmes and the redeployment of passive benefits in a way that more effectively sustains the goal of labour market integration. To that end, it was recommended that integration should be coupled with the development of a comprehensive portfolio of active labour market programmes which would be made available to all benefit recipients on the basis of their individual needs, the introduction of financial incentives to reward integration efforts or job take-up, or in contrast, the introduction of financial penalties (Bertelsmann Stiftung 2002b).

*c. The ministerial working group*

Finally, encouraged by the consensus emerging in the Bertelsmann forum, an internal working group was formed within the Ministry of Employment towards the end of 2001. It brought together a few ministerial experts and worked quite hidden from the rest of the ministry (cf Fleckenstein 2011: 124-125). Its task was to develop the most concrete possible model of a merger between unemployment and social assistance. By mid-2002, several aspects had been agreed upon, largely based on the work done within the Bertelsmann forum. This was the case of the general orientation of the new benefit towards social assistance, and its target population. In addition, an agreement had been found on the organisational aspect: the agency in charge of delivering the new benefit system should be formally attached to the PES, and not to local authorities. In contrast, the issues of the benefit generosity and funding mode still remained open (Hassel and Schiller 2010a: 230-232).

In conclusion, by the end of 2001, a year before the upcoming general election, a consensus had already emerged among experts from various institutional backgrounds, including within some SPD circles, on the need for merging the two benefit systems for the long-term unemployed. What is more, the consensus also concerned some of the basic features of the new benefit scheme such as its overall orientation towards social assistance and its target population. The working groups also left important aspects unanswered, such as the financial aspects. However, they provided valuable material which the Hartz commission, and later on, the Schröder government could draw upon when it came to conceive the first draft proposal.

It is however important to note that these works took place largely at the margins of the political debate. For a large fraction of the Social Democratic Party, and even within the Ministry of Employment, talking about a merger of unemployment and social assistance was still a political taboo in 2001 (interviews G1, G10). One reason was seen in the widespread fear, not completely wrong, that the merger would coincide with the abolition of unemployment assistance at the advantage of social assistance (interview G3). Another reason lied in the complexity of such a radical overhaul, and the many obstacles to overcome. Even within fervent proponents of a merger within the Ministry of Employment, there were strong hesitations on whether to put the issue to the forefront or not.

*“It was an absolute taboo politically at the Ministry. The reason for it being so controversial was that it was totally clear to us that if we seized the issue, then we would go against many vested interests, and touch upon some hot potatoes and have to overcome so many objective obstacles: cooperation between authorities, a constitutional modification of financial jurisdictions. It was so big that nobody trusted himself...”*  
(Interview G10)

Yet, the fact that these working groups worked largely outside the mainstream political debates also seemingly proved to be a great opportunity for the emergence of the idea of a radical integration at both the organisational and substantive levels. The preservation from political tensions and time pressures seems to have offered them a good opportunity to develop a mode of decision-making close to a rational problem-solving one based on prior identification of problems and comparison of various possible reform options in light of their capacity to remedy them. This view is nevertheless slightly undermined in this case by the fact that empirical evidence of the benefits or costs of the various reform options or expertise did not seem to weigh much on the decision at that early time. As mentioned above, the Bertelsmann working group used the pessimistic legal expertise on the feasibility of the option of integration as a chance to go even further in its discussion about the strengths and weaknesses of this option. In a similar vein, in early 2002, a report of the working group of SPD-led *Länder* noticed that it was still open as to whether the creation of one-stop-shops at the organisational level could really improve the chances for returning into the labour market (Projektgruppen SGBIII und Sozialhilfe (Ländervertreter) 2002). It is perhaps for this reason that Fleckenstein (2010) preferred to talk about a learning process based on deliberation and exchange of views to account for the emergence of a consensus on the option of integration outside the political scene.

### ***The failure of the red-green labour market policy***

By contrast to the developments in informal circles, the labour market policy of the Schröder government remained dominated by a strategy of the ‘policy of steady hands’ during its first years in office (*Politik der ruhigen Hand*). Its hesitant reform programme of 1998 in labour market policy was indeed followed by a relative inaction, helped by a brief economic recovery and a decline in unemployment between 1998 and 2000 (interview G4, Czommer et al. 2005). As a result, by the end of 2001, the achievements of the red-green coalition in the area of labour market policy remained quite meagre.

The Alliance for Jobs, which Chancellor Schröder had presented as his main instrument to tackle the problems of the German labour market in joined hands with social partners, had actually come to an impasse quite early. Serious negotiations on radical reforms never happened, partly due to the conflicting positions of social partners and partly due to the Schröder government’s incapacity to force them to compromises (Eichhorst 2002, Streeck 2003). Actually, the most important achievement of the Alliance for Jobs in labour market policy had been to reach a consensus on an ‘activating labour market policy’ in early 2001, which translated into the Job-AQTIV Law later that year (Eichhorst 2002: 5-6). By introducing several elements to improve job placement (like a greater role of private placement agencies, or mandatory individual integration plans), the law reinforced the overall orientation of unemployment benefits towards labour market integration (Fleckenstein 2011: 78-79). Yet the law still essentially comprised positive activation elements, while more coercive aspects were largely left aside. For this reason, the Job-AQTIV law only represented a soft activation reform (interview G8, Czommer et al. 2005). What is more, it was scheduled

to come into force in January 2002, i.e. too late to show concrete results before the general election of September that year (interview G7).

Regarding the issue of coordination, the concrete realisations were not more far-reaching. Instead of embarking on a radical integration reform, the red-green government stuck to its pledge to improve the collaboration between the PES and social assistance offices. In this respect, a law was voted in in Parliament in 2000 to oblige the respective agencies to cooperate together. The law equally provided the legal basis for a large pilot project, the MoZArT project, which began operating in early 2001 for a two-year period. The government released 30 million DM to finance 30 local projects intended to evaluate different forms of collaboration with regard to the long-term unemployed. Hence, the intensity of collaboration varied across local projects, ranging from intensified information exchange to the creation of one-stop-shops in charge of both benefit payments and employment services or a joint financing of employment programmes (Prietzl 2002). For the government, the MoZArT project provided an opportunity not only to gain knowledge of the chances and limits of collaboration, but also to postpone any legislation on a more comprehensive reform until the next legislative term (Fleckenstein 2011: 123). The Minister of Work, as a former trade unionist, was known for its reluctance to partake in radical reforms of the social security system. Moreover, during that time, he was kept busy with the pension reform, and had no intention of undertaking something in labour market policy until the pension reform got passed (interview G7). In fact, by the end of 2001, nothing indicated that the government was willing to push for a radical reform in that area.

Thus, as unemployment began to rise again dramatically in 2001, the red-green coalition government found itself in a difficult situation. At his election as Chancellor in 1998, Schröder had stated that his main commitment would be reduce unemployment from over four million to 3.5 million by the next general election. While in October 2000, unemployment fell to 3.6 million people, it had again risen above the threshold of four million by January 2002 (Bundesagentur für Arbeit 2012). By the end of 2001, it thus became clear that the red-green coalition would not be able to keep its electoral promise (interview G8, Zohlnhöfer 2004: 124).

On top of this, political pressures from various sides intensified, calling for a comprehensive reform of the social security system for the unemployed. Pressure came first from the major opposition party, the CDU, in connection with the forthcoming election to be held in Autumn 2002. Since 1999, the CDU had repeatedly criticised the red-green government for its inaction in labour market policy, but from 2001, the party seized upon the issue of the integration of unemployment and social assistance more concretely, partly under the impulse of Roland Koch, the minister president of the Land Hessen, who was thought of as a potential Chancellor candidate for the CDU at that time (interviews G8, G9). In Summer 2001, Koch presented a reform initiative in that direction. The initiative, which was eventually submitted to Parliament in January 2002, did not go as far as requiring a merger of the two benefits. Instead, it planned an organisational bundling of employment services, activation measures and benefit payments under one single jobcentre, coupled with an overall tightening of job suitability criteria and sanctions and the introduction of financial subsidies for those taking up low-paid work (Bundestag 2002a). Nevertheless, it found large support in the CDU and even

from some SPD members (Hassel and Schiller 2010: 194), thus obliging the government to take a position on the issue and to announce that it planned an integration in the long-term (Interview G9).

But, in parallel, from 2001, pressures also intensified from the side of local authorities which were seeing their financial situation rapidly deteriorating as a result of their diminished revenue following the 2000 tax reform, while their costs, especially for social assistance, kept increasing (for more details on this, see Hassel and Schiller 2010b). In particular, at the end of 2001, several large cities confronted an imminent bankruptcy urged the government to initiate a major restructuring of the social security system, one that would alleviate their financial burdens (interview G8).

However, local authorities, and more particularly cities, remained relatively cautious regarding the radical option of an integration of social assistance and unemployment assistance, as they feared that it might end in a transfer of costs from unemployment assistance to social assistance. Hence, their preference was for a comprehensive reform of social assistance together with a shift of overall responsibility for long-term unemployment to the federal state (Die Welt 2002b, Handelsblatt 2002b). The Schröder government could not ignore their calls, and set up an expert commission on the reform of municipal finances in early 2002 with the goal to devise a strategy to relieve municipalities from their financial burden (interviews G5, G8). At the core of the commission's investigations were, from a revenue point of view, the future of a municipal business tax<sup>46</sup>, and from an expenditure point of view, the financial consequences of reforming unemployment and social assistance (Hassel and Schiller 2010a: 242-243)

Finally, albeit less alarming for the government, one can also note pressures from the *Länder* through their Ministers of Work and Social Affairs, which, in their general conference of 2000 and 2001, urged the government to take the necessary measures to modernise social assistance and merge unemployment and social assistance (ASMK 2000, 2001). Interestingly, the calls had been made at the initiative of two SPD-led *Länder* and were backed almost unanimously.

In sum, at the turn of 2001/2002, the perception grew that the red-green government would not survive the election. Chancellor Schröder had failed to keep his electoral promise to significantly reduce unemployment. In addition, despite growing political pressures for and an emerging consensus on the integration of unemployment and social assistance, the chances for getting any far-reaching labour market reform on the political agenda during the year of the general election was minimal:

*“At this point, we were already thinking that we couldn't do anything else on the issue of labour market modernisation. It is indeed impossible to put forward a reform in the election year, because nobody really has interest in doing anything before an election. And besides, we had a Minister of Employment and two other State Secretaries (one of whom we had inherited from the previous government) who were not at all interested in a fundamental reform of the labour market. For Walter Riester, it was mostly the*

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<sup>46</sup> I.e. the so-called ‘*Gewerbesteuer*’, which is a tax on business and which long constituted the most important source of revenues for municipalities

*pension reform which mattered. So at this point, we were almost sure to lose the upcoming election.” (Interview G7)*

#### **5.4. The Hartz Commission**

The advent of the job placement scandal of the Federal Employment Agency in February 2002<sup>47</sup>, only a couple of months before the general election, offered a welcome second chance for the Schröder government to show that it was successfully handling the problem of unemployment (interview G7). As largely contended in the academic literature and among experts, the placement scandal opened up a window of opportunity which the government skilfully used to put a comprehensive redesign of labour market policy which had previously been politically unfeasible on to the political agenda (interviews G2, G8, G9, Eichhorst and Wintermann 2005, Kemmerling and Bruttel 2006, Fleckenstein 2011: 154).

The Schröder government reacted immediately after the divulgence of the erroneous placement figures of the PES by announcing a two-step reform strategy. The first step involved immediately implementing measures to modernise the PES in accordance with NPM principles (Hartz Kommission 2002). In a second step, the government set up the ‘Commission of Modern Services on the Labour Market’ to work out a comprehensive restructuring programme of the PES to be unveiled before the upcoming election (Hartz Kommission 2002: 14-15). The commission became later more famously known as the ‘Hartz commission’.

As it was the election year, the government did not want an ordinary commission, which would have met over several months and which would have been impeded by the same blockades as the tripartite Alliance for Jobs (interview G7). Therefore, it appointed an independent commission excluding political parties in favour of representatives of the economy, and which was expected to work rapidly so as to be able to present its conclusions before the election of September 2002<sup>48</sup>. Peter Hartz, Volkswagen’s popular human resources director was appointed to steer the commission, who informally gave his name to the commission and the resulting subsequent reforms.

The appointment of the commission was very much triggered by the Federal Chancellery (Eichhorst and Wintermann 2005, Hassel and Schiller 2010a: 217ff.). According to initial plans, the task of the commission should have been circumscribed to the restructuring of the PES and placement activities. Proponents of the integration of unemployment and social assistance within the Ministry of Employment nevertheless managed to put the issue on the commission’s agenda and, later on, also in the commission’s final report (interview G10). The task of the commission on that issue however remained relatively narrowly defined. As stated

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<sup>47</sup> The placement scandal actually came out when the media reported that two expertise evaluations on placement activities of the PES had found that a majority of reported placements had actually not taken place, or were dubious (Hassel and Schiller 2010: 211-212)

<sup>48</sup> Two representatives of trade unions were incorporated, but apparently mostly for public legitimisation reasons (interview G7).



in the governmental mandate, the commission was not supposed to ‘anticipate the government’s reform plan for an integration of unemployment and social assistance, but should put forward different organisational models, with the view to bring employment-related activities and income support benefits together into a ‘one-stop-center’‘ (Hartz Kommission 2002: 16). Following the establishment of the commission, an internal working group was appointed to make proposals in that direction.

To that end, the sub-commission invited several experts to report on best practice coordination projects developed in Germany and other countries. More specifically, for Germany, two among the most integrated models of collaboration participating in the MoZArT pilot project were investigated. As for best practice examples from abroad, they were essentially circumscribed to the Jobcentre Plus reform in the UK and the establishment of the so-called ‘Centres for Work and Income’<sup>49</sup> in the Netherlands from January 2002 (Geschäftsstelle der Hartz Kommission 2002). Due to the recent introduction of most of these examples (one of the two MoZArT project had even started to operate from February 2002), it was difficult for the members of the Hartz commission to draw lessons on their respective employment effects. Rather, what they could learn from them were some promising ways of organising one-stop-shops, and conversely, some limitations related to the upholding of a dual benefit system. For instance, one particular element that seemed to have retained attention regarding the most integrated MoZArT model was the practical difficulties for the front-line staff to keep up with the dual set of rules and requirements guiding unemployment assistance and social assistance (Geschäftsstelle der Hartz Kommission 2002: 46-47).

Yet, given the short time span of the Hartz commission, its members relied above all on the works and discussions of the Bertelsmann working group to get an idea of the strengths and weaknesses of various models of coordination (interview G6). As it appeared, several experts active in the Bertelsmann working group were invited to present the state of their reflections to the Hartz commission and many parts of the intermediary report of the Hartz sub-commission (Geschäftsstelle der Hartz Kommission 2002) actually borrowed heavily from the Bertelsmann working group’s position paper (see previous section). From this perspective, it is no surprise that the sub-commission of the Hartz commission dealing with the reform of unemployment and social assistance came to recommend the integration of the two systems at both organisational and substantive levels.

Yet, throughout the commission’s run, the reform of the benefit system remained a secondary issue (interview G2). This was mirrored in the final report, which addressed the issue only briefly and superficially. Actually, two out of the 13 modules presented in the final report dealt with the issue of integration. The first one only discussed the organisational aspect of the integration, and recommended the transformation of the PES into a Jobcentre, which should act as a single point of contact for employers and all employable jobseekers, regardless of whether they are on unemployment benefits or on social assistance. It is actually only in the second point that the integration of the passive benefits was dealt with. As stated, the integration should result in a new tax-financed and means-tested benefit guaranteeing a living

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<sup>49</sup> Dutch centres for work and income serve a double function: on the one hand, they act as single gateways to the benefit system for most benefit claimants of working age, and on the other, take over job placement activities for those benefit claimant deemed as job-ready.

income for all employable jobseekers not entitled to or having exhausted their entitlement to unemployment insurance. The new benefit, called Unemployment Benefit II, would fall under the responsibility of the PES and its delivery would be ensured by the Jobcenter. Unemployment Insurance, renamed Unemployment Benefit I, would remain untouched. Apart from this general outline, the report made no concrete statement on tricky aspects like benefit generosity and financial responsibility. Regarding the latter aspect, the report referred to the on-going work of the Commission of Municipal Finances, a commission that had been appointed in early 2002 to find solutions to the municipal finances crisis.

The reason why the integration of passive benefits remained secondary and loosely outlined in the report was twofold. First, from the beginning, the chairman Peter Hartz was reluctant to grasp the issue which had been imposed on him. As a result, when coordinating and drafting the final report, Hartz barely integrated the issue as mandated without really discussing it in the commission's plenary sessions (Interview G10, Fleckenstein 2011: 155). The second reason related to the internal opposition of trade unions. Helped by the experience built within the Bertelsmann working group, the intermediary report of the internal working group had gone quite far in its recommendations. For instance, it explicitly stated that benefits should be paid at the level of social assistance and that the federal state should be financially responsible for the first year, and the municipalities for the subsequent ones (Geschäftsstelle der Hartz Kommission 2002). Yet, under the threat of one representative of trade unions to veto the final report, Peter Hartz finally decided to ignore certain problematic issues in order to secure unanimous approval of the final report, as well as wide public legitimacy (Interview G9, Hassel and Schiller 2010a: 225-226, Fleckenstein 2011: 159).

On 16 August 2002, just one month before the general election, Peter Hartz publicly unveiled the commission's report at a large media conference. In the aftermath, Chancellor Schröder announced his commitment to fully implement the Hartz report in the event of a re-election.

Schröder's promise of a 'one-to-one' implementation signalled that the issue of the integration of unemployment and social assistance, both at the organisational and substantive levels, had definitely reached Schröder's political agenda. Early that year, Schröder had considered the placement scandal and the Hartz commission as his best chance of regaining voter confidence (Interview G9). However, the incorporation of the benefit system reform into the commission's mandate had been the initiative of a couple of modernisers within the Ministry of Employment. Schröder's role and engagement on the issue at that time remained weak (Hassel and Schiller 2010a: 211). Thus, when the Hartz report was presented to the cabinet session of August 2002 and Schröder decided on a one-to-one implementation if he were to be re-elected, it was the first time that Schröder had positioned himself clearly in favour of an integration of the benefit system (interview G10).

*"[in February 2002] the course was set. But many inputs were still missing; the issue was so far-reaching. We needed the consent of someone in the Federal Chancellery who was willing to bear the political consequences of such a decision. We (at the Ministry of Employment) can develop every possible reform project and we can find every possible programmatic consensus, as wide as it was in the Bertelsmann working group.*

*Nevertheless, in the end, we don't have to hold the head high. Only Schröder could do that. And in the end, he effectively had to hold the head high in 2005.” (Interview G9)*

All in all, the way the Hartz report had been framed, together with Schröder's commitment to a one-to-one implementation five weeks before the general election, proved very successful in circumventing political opposition. On the part of the SPD and trade unions, the timing of the publication of the Hartz report contributed to significantly reduce open criticisms. Confronted with the option of a centre-right government, traditionalists had indeed little choice but to accept Schröder's decision (Fleckenstein 2011: 154). But the content of the report also played an important role. By remaining sufficiently vague as to the details of the integration of UA and SA, the report left various interpretations open (interview G2), thereby maintaining hope within trade unions and the left-wing of the SPD that the new benefit scheme could still be closer to unemployment assistance than social assistance. On the part of the opposition parties, the Hartz report and the promise of a full implementation largely came as a surprise. As a result, the CDU politicians reacted contradictorily and for a long time did not find any unified answer, not least because many proposals of the report coincided with their own demands (Siefken 2006: 384).

### **5.5. The 2002 re-election and the '2010 Agenda'**

In September 2002, the Social Democratic Party got narrowly re-elected, with only 6000 votes differences against the Union parties. Consequently, the Social Democratic Party renewed its coalition with the Green Party, with Gerhard Schröder as Chancellor.

The Hartz commission played only a limited role in SPD's victory. The publication of the Hartz report contributed to annihilate criticisms against the Schröder government's failure to act in the field of labour market policy. However, the impact of the Hartz report remained rather weak on the electorate despite a slight regain in credibility just after its publication. The main impact of the Hartz commission was rather a 'dethematisation' of the unemployment issue in political debates as neither the SPD with its overall poor performance on the issue or the CDU with its indecisive reaction to the Hartz report were really willing to push the issue further (Siefken 2006: 384-385). According to some commentators, what really proved decisive in favour of the SPD were Schröder's positions and effective interventions on two issues that could not have been predicted in early 2002 when the Hartz commission was brought into being: the advent of major floods in Eastern Germany in August, and the invasion of Iraq, which Schröder had loudly opposed.

#### ***Rising public discontent***

In the first weeks after its election, the second red-green government reiterated its commitment to the implementation of the Hartz proposals, including the merger of unemployment and social assistance. Shortly after, the government declared its intention to

divide the proposals into four packages (the merger of unemployment and social assistance forming the fourth one, hence its title 'Hartz IV'), and to get the first two packages passed by Parliament before the end of 2002. As for the merger of unemployment and social assistance, the government took a more cautious approach and proclaimed that no concrete decisions would be taken before the spring 2003 when the commission on the reform of municipal finances would deliver its results (Handelsblatt, 08.10.2002). A second, but less official, reason was that the government still had some hope of winning the elections in two *Länder* in February 2003, Hessen and Lower-Saxony (Chancellor Schröder's homeland), and hence regaining a majority in the Bundesrat, whose approval was needed in the case of the Hartz IV reform (Agence France Presse, 24.10.02). For the implementation and legislative preparatory work of the Hartz reform packages, a new Super-Ministry of Economics and Work was created, which Chancellor Schröder put under the responsibility of Wolfgang Clement, a renowned representative of SPD modernisers' clan. The reshuffling of ministry together with the nomination of Clement signalled that the new red-green government was deeply committed to bring about economic upturn and a decline in unemployment (interview G10).

Apart from this, the Schröder government entered its second term in office with a weak reform programme (interview G9). The coalition agreement, signed at the end of October, was dominated by the issue of budget consolidation and the necessity of savings and cuts to reduce Germany's escalating debt and restore growth and employment (interviews G2, G9, Bundestag 2002b). Not surprisingly, the agreement received severe criticism from the opposition parties and the economic organisations. Especially the prospects of tax increases got decried, but also the disappointing lack of substance and innovation (Die Welt, 30.10.2002).

The prospect of tax increases and budget reductions turned out disastrous for the government's popularity. Two weeks later, a voting intention poll revealed a sharp loss in reputation for the SPD and Schröder himself. Subsequent polls only confirmed that rapid downward trend (Der Spiegel, 20.01.2003, Financial Times Deutschland, 8.01.2003). In January 2003, a survey realised for Der Spiegel, showed that 80 per cent of respondents reported discontentment with the work of the government, and that the SPD would only get 30 per cent of the votes if an election were to take place at that time. The survey also indicated that 57 per cent favoured a stricter savings course by the government against 38 per cent privileging increased indebtedness in the current situation (Der Spiegel, 20.01.2003).

This is in this context of a morose atmosphere and a slight shift of the public opinion in favour of cutbacks (on this last point, see Picot 2009) that Chancellor Schröder came to the view that the coalition would not survive the legislative period without an offensive reform programme (interview G10, Schröder 2006: 389-390). Already before December, he asked his Chancellery Minister to draft such a programme and Clement, the Minister of Economics and Work to supply him with a few reform proposals that he could rapidly bring into legislation (Schröder 2006: 391-392). By the end of December, the Federal Chancellery had drafted a strategy paper, which made a clear parallel between the necessity to embark on a radical reform programme and the crisis of growth and public confidence. As outlined in the paper, the mission was thus to restore confidence through a comprehensive but fair reform programme, at the potential cost of clashes with interest groups:

*“In the short term, the government must manage to restore public confidence in the problem solving capacity of German politics. It must be fully clear that in case of further external shocks tax burdens will not further increase. The mood in the country will improve again when people gain the feeling that the government is willing to considerably enhance the efficiency of social security systems through comprehensive reforms. It is obvious that people want to support the government on this. They feel that the horizon is closing in. Without fundamental reforms benefit cuts and contribution increases are threatening. (...) The federal government is ready for fundamental reforms, and thereby ready to cope with individual interest groups for the benefit of society. What was still held to be taboo a couple of months ago is now being implemented: for instance, the merger of unemployment and social assistance, the new job suitability rules, the liberalisation of shop closing time.” (Bundeskanzleramt 2002: 3, own translation)*

Whereas the strategy paper mentioned the merger of unemployment and social assistance as well as the Hartz package as one piece of the comprehensive reform, it did not spell out its details. Its aim was rather to determine the strategic vision behind the Agenda 2010. Equally, the paper did not set out any concrete timing.

As a consequence, when released by the press in December 2002, the draft strategy paper did not receive serious consideration by the Social Democrats, partly because it deviated greatly from the traditional Social Democratic values that it was thought of as a bluff (Hassel and Schiller 2010a: 251). However, it laid the conceptual foundations for Schröder’s renewed government declaration ‘Agenda 2010’ on 14 March 2003. Schröder announced his upcoming declaration in February, after the catastrophic results of the SPD in the two Länder elections, Hessen and Lower Saxony. In the following, Schröder put a definitive end to the tripartite dialogue with social partners in the framework of the Alliance for Jobs, declaring that the government would act alone.

### ***The ‘2010 Agenda’***

On 14 March 2003, Chancellor Schröder delivered his reform programme to Parliament under the heading ‘Agenda 2010’. In Schröder’s words, Germany now had to undertake a comprehensive series of structural reforms, including benefit cuts and a renewed its emphasis on individual responsibility, necessity in order to reinvigorate the sluggish German economy and foster a boost in employment (Bundestag 2003: 2479-2480). Accordingly, the ‘2010 Agenda’ reform programme included several social and economic policy restructuring reforms, including job protection regulation, unemployment protection systems, health and pension systems.

In the labour market area, besides a flexibilisation of the protection against dismissal, the merger of unemployment and social assistance, as part of the Hartz reform package, took a central place. Contrary to the consensual Hartz proposals and the government’s previous cautious stand on how the new benefit scheme should look like, Schröder announced that the new scheme would provide benefits at the level of the social assistance scheme and that it

would fall under the financial responsibility of the Federal Employment Agency so as to 'refurbish municipalities with financial room for manoeuvre they could use to invest for example in the development of child care' (Bundestag 2003: 2482).

In addition, Schröder declared that the merger would be accompanied by a series of measures aimed at increasing incentives to take up work more rapidly. More specifically, he mentioned the reduction of unemployment insurance benefit duration to a maximum of 12 months (18 for those over 55 years old), the obligation to accept any job available, even if it did not correspond to previous qualifications, a stricter sanction system for those refusing work deemed as suitable, and finally the introduction of more generous earnings disregards for the long-term unemployed who take up work (Bundestag 2003).

Schröder's clarifications on the main features of the new 'Unemployment Benefit II' to arise from the merger of unemployment and social assistance were path-breaking on two aspects. First, they symbolically put an end to the deliberations of the respective discussions within the commission on the reform of municipal finances in charge of evaluating the financial consequences of several models of integration between unemployment and social assistance. While the working group had rapidly agreed on the necessity of a merger, it had become clear in February 2003 that it would not be able to find a consensus on the financial and organisational responsibilities for the new benefit scheme. Whereas the federal association of cities, trade unions and SPD-led *Länder* favoured a responsibility allocated to the PES, the federal association of counties and the CDU-led *Länder* pleaded for a municipal responsibility (Hassel and Schiller 2010a: 246).

In the face of an impossible pre-parliamentary consensus, Schröder thus took the initiative to set out his vision of the new benefit scheme without waiting for the formal report of the commission, i.e. a new benefit under the financial and organisational responsibility of the federal state in order to relieve municipalities from their financial burden and encourage them to invest saved money in child care. In this respect, the promise that had been made was to relieve municipalities by 2,5 million Euros each year, of which 1.5 million should be invested in the development of childcare infrastructures (interviews G4, G5)

The second path-breaking element concerned Schröder's position on the generosity of the new Unemployment Benefit II. Indeed, Schröder's unambiguous declaration that the new UB II would not be higher than social assistance fundamentally broke with the government's past repeated promises to the trade unions and the Social Democratic traditionalists that the new benefit would be higher than the social assistance benefit level (interviews G2, G5). There were mainly three reasons for this path-breaking declaration (interview G9). It was first a practical reason related to the desolate financial situation of the federal state. Briefly, if the federal state were forced to pay for the new benefit in order to relieve municipalities from the burden of social assistance, then it would not be able to afford more generous benefit levels. The second reason was linked to activation objectives (interviews G3, G9). Reduced benefits, coupled with earnings disregards should improve work incentives for the long-term unemployed. And finally, the last reason was of a more symbolic kind. For Schröder, it was also a matter of showing the population and political parties his determination to implement

tough reforms, even though he was aware that they would not, and could not, please everybody (Bundestag 2003: 2489C). As a respondent put it:

*“Schröder just wanted to send a clear and strong signal, a modernisation signal. The speech should become a blood, sweat and tears speech, quasi a Churchill speech of hard reforms [Zumutungen]. And the speech actually did not contain so many hard reforms. So, in the Agenda-speech, there were all sorts of reform plans, including positive reforms such as the development of child care and so on. So basically, this was the central hard reform, and this played also a role. It thus had to send a strong signal.”* (Interview G9)

## **5.6. Negotiating and implementing the Hartz IV reform**

Schröder’s ‘2010 Agenda’ speech on 14 March 2003 marked the end of the agenda setting phase of the merger of unemployment and social assistance, and simultaneously the starting point of the legislative decision-making phase of the Hartz IV reform. It also marked, for Chancellor Schröder, the starting point of a turbulent phase of fierce political tensions and resistance, including from its own party, hostile public opinion and later on, unexpected developments when it came to implement the merger. As Schröder himself acknowledged later: *“I was prepared for criticisms on details of the reform programme, but not of what had ultimately come about”* (Schröder 2006: 398).

### ***The legislation phase***

Already a few weeks before the Agenda 2010 speech (i.e. Feb 2003) and until Summer 2003, a coalition working-group was established to work out the details of the future Hartz IV bill. The working group brought together senior officials from the Ministry of Employment, MPs from the two coalition parties as well as representatives of SPD-led Länder, with the aim of ensuring a minimum level of support from the main coalition actors during the legislative phase (Hassel and Schiller 2010a: 253ff., Stiller 2010: 150). At the same time, as the Agenda 2010 speech fuelled an immediate wave of hostile reactions within his own Social Democratic ranks opposing a dismantlement of the status-maintaining social protection, Chancellor Schröder participated in a series of regional and national meetings with his party basis between April and June 2003 so as to avoid major rebellion against his reform agenda (Saalfeld 2006, Schröder 2006).

The Hartz IV bill was eventually submitted to Parliament in September 2003, its core elements largely drawing on the cornerstones formulated by Schröder in his Agenda 2010 speech. The new Unemployment Benefit II was to be based on the level of social assistance, new entities, local jobcentres, were to deliver passive and active support and the PES was to bear overall responsibility, both financially and organisationally. Finally, on the issue of job suitability, recipients of the new benefits had to accept any jobs offered to them (Stiller 2010: 150). In order to weaken opposition from the left wing of the SPD, a rule on temporary higher

benefits for former unemployment insurance recipients was added in order to smooth the transition from UI to UB II (interview G4).

In October 2003, the first chamber of Parliament, the Bundestag, passed the reform bill without major amendments, meaning that Schröder had succeeded in rallying the majority of Social Democratic MPs to support the Hartz IV bill in the short term. One of the most important amendments adopted at the request of some SPD MPs was a softening of the job suitability criteria in the direction of a greater consideration of previous qualifications and competences. In contrast, the Hartz IV reform bill met with more vigorous resistance in the second chamber of Parliament, the Bundesrat, more specifically from the CDU-led *Länder*, which held a majority of seats. As the Schröder government was keen to see the reform bill adopted before the end of 2003 so as to have the first concrete results before the next general election in 2006, it agreed on large concessions to the CDU. A consensus was finally found before Christmas 2003 for the major part of the reform bill, and for the remaining part concerning the detailed organisational arrangement of jobcentres in June 2004 (Stiller 2010: 151).

All in all, the Hartz IV reform, once passed by the two chambers of Parliament, differed from the Hartz Report, and Schröder government's initial plans on several major aspects. Deviations affected above all the organisational and financial responsibilities for the new Unemployment Benefit II. Organisationally, rather than achieving one single Jobcenter for all recipients of unemployment benefits as recommended in the Hartz report, the Hartz IV reform produced a durable, dual organisational system, as recipients of the new UB I and II were to be dealt with by two separate organisations, the PES for the former, and specialised Jobcentres for the latter. In contrast to the previous system, recipients of the new UB II were granted access to most active labour market measures available to UB I recipients.

In addition to the enduring dual system, political compromises gave rise to the coexistence of two different organisational models for the specific Jobcenters. The first model, also the most frequent one, implied a cooperation of the local PES offices and local authorities that had to jointly run local Jobcenters<sup>50</sup>. A second model, the so-called *Optionskommunen*, originally conceived of as a pilot model, gave the local authorities the entire responsibility for running the Jobcenters. Regarding financial responsibilities, here again, political compromises with the opposition party brought about a complicated division of financial responsibility. Whereas the federal state, via the PES, was to pay for passive benefits and labour market integration measures, local authorities had to take care of the costs of accommodation, heating and social services like psycho-social support or child care services (Konle-Seidl 2008, Fleckenstein 2011: 87).

In contrast, aspects regarding the generosity and eligibility criteria remained largely unchanged. According to the final Hartz IV law, the new UB II was basically built on the benefit levels and means-tested criteria of social assistance rather than unemployment assistance. Eligibility was nevertheless dependent upon the condition of being capable of work, even if defined in large terms, including all people who could work at least 3 hours a

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<sup>50</sup> Until 2011, Jobcenters under this model were called '*Arbeitsgemeinschaften*'-ARGE



day. Finally, negotiations between the government and the CDU brought back a strict definition of job suitability.

**Table 5.2: The German unemployment protection system after 2005**

	<b>Unemployment insurance (UB I)</b>	<b>Basic income support (UB II)</b>	<b>Social assistance</b>
<i>Target population</i>	Insured unemployed	Needy persons capable of work + partners and children	Needy persons durably excluded from paid employment
<i>Financial benefits</i>	Earnings-related, limited to 12 months	Flat-rate benefits similar to social assistance, unlimited in time (+ financial supplements rewarding integration efforts)	Flat-rate benefits
<i>Organisational responsibilities</i>	Federal Agency for Employment (PES)	2 Jobcenter models  Jobcenters run jointly by local PES & municipalities  69 (108 from 2012) municipal Jobcenters	Municipalities
<i>Funding</i>	Employees' and employers' social contributions (+ subsidies from federal budgets)	General taxes  At federal level: financial benefits, ALMPs, 1/3 housing & heating costs  At municipal level: social services, 2/3 housing & heating costs	General taxes: municipal budgets

*Sources:* based on Konle-Seidl (2008) and Bonoli and Champion (2013)

Interestingly, the aspects remaining untouched after the legislative negotiations were also the most contentious points (with the exception of the large definition of employability) within the traditionalist camp of the SPD. This reflected Schröder's short-term success in persuading his parliamentary group to vote in favour of the Hartz IV reform. Paradoxically, this short-term victory came at the price of the long-term legitimacy of Hartz IV. Indeed, Schröder's determination to get the Hartz IV reform adopted as soon as possible, without taking fears from the traditionalist wing of his party into consideration, considerably damaged intra-party cohesion and political acceptance of the reform within the Social Democratic Party. Over time, an increasing number of Social Democratic MPs distanced themselves from the reform and refused to defend it before the public (interview G10). Moreover, the reform exacerbated intra-party tensions to such extent that it ultimately led to a left and trade unionist fraction breaking away from the SPD in 2005 and founding the 'Electoral Alternative for Employment and Social Justice' (WASG), which later joined the left-wing PDS and became most prominent under the heading "The Left" (*die Linke*) (Saalfeld 2006).

Finally, Schröder's tour de force not only contributed to persistently hamper wide political acceptance of the reform within his own ranks, it also provoked massive protests in the population. Throughout 2004 until Spring 2005, large-scale public demonstrations against the benefit cuts and the much stricter definition of suitable jobs for former recipients of unemployment assistance were held, specifically concentrated in Eastern Germany (where the number of people on UA was particularly high) and sometimes gathering up to 100 000 people. Even though they rapidly faded away as it became clear that the government would not repeal the reform, they nevertheless revealed a significant level of public hostility towards the reform (Kemmerling and Bruttel 2006).

### ***The implementation phase***

The Hartz IV reform came into force on 01 January 2005, only six months after its definitive adoption by Parliament. The government and ministry had expected the implementation to take time before deploying its effects. However, in 2003, before submitting the Hartz IV reform bill to Parliament, the government also hoped that the initial effects would be seen in 2006 for the general elections, helped by an economic upturn:

*“The concrete implementation of the laws will require time. For example, the consideration of beneficiaries' rights to defend their current entitlements will lead to several rules taking full effect only in 2006. By that time, the labour market situation will have improved significantly. Equally, establishing the full operational capacity of the Jobcenters will not occur overnight. In the Netherlands, it took about five years to complete the setting up of the Centres for Work and Income.”* (Bundesministerium für Wirtschaft und Arbeit 2003: 4)

However, in 2005, the problems raised by the introduction of Hartz IV turned out more complex than expected in 2003. One first problem related to the short timing to adequately prepare the reorganisation of jobcentres, as between the final adoption of the law in June 2004 and the introduction in January 2005 only a few months were available (interview G10). Second, and perhaps more importantly, the sudden rise in the unemployment rate that followed the introduction of the new UB II came largely as a surprise to the government, although the PES had always warned that the addition of social assistance and unemployment assistance would massively impact on the unemployment rate (Schröder 2006: 422). The explosion was to a large extent due to social assistance recipients being re-categorised as unemployed. However, it was aggravated by unexpected developments, like social assistance offices declaring the large majority of their beneficiaries employable so as to transfer them to the new benefit, people who previously did not receive any benefits now claiming UB II, and a persistently bad economic situation (Brenke 2010). The immediate consequences were that the number of UB II continued to increase between January 2005 and April 2006, and unemployment peaked at approximately five million people in the first months of 2005 (Brenke 2010, Bundesagentur für Arbeit 2012). After the massive protests in 2004, the explosion of unemployment figures proved fatal for the Schröder government. After two subsequent defeats in *Länder* elections, Schröder was forced to hold an early general election that year, which he lost (Schröder 2006).

Finally, in December 2007, the Federal Constitutional Court declared the model of joint jobcentres unconstitutional, requiring consequent changes by 2010. The statement did not affect the Schröder government any more, which had departed from office in 2005. However, it generated insecurity within the joint jobcentres, which had high turnover rates, and to some extent further hindered any strong commitment from staff.

Retrospectively, it is difficult to know whether the government and ministry could have better anticipated these implementation problems. In 2004, there were voices, including those from the PES, warning against precipitated implementation. However, at that point in time, taking them seriously would most likely have meant postponing the reform, which the government did not want to.

*“So the problem is of course that if the government had relied on more cautious calculations, it would possibly never have come to that reform... because in the end the reform proved more costly in the first years, so it cost more money (...) if we had known that, we would have called the reform into question in 2004. And at that time, there were already people who said ‘the risks are too high, we must postpone the whole thing.’ But Clement wanted it to start on 01. January 2005. He had put his hopes in it. And that story could then not be anticipated in 2003.”* (Interview G9)

## **5.7. Discussion**

The dramatic socio-economic and political consequences of the Hartz IV raise the critical question of why the Schröder government embarked on a reform of that magnitude. Indeed, from a comparative point of view, the Schröder government followed a particularly radical coordination course which not only affected the organisational level with the establishment of unified jobcenters for the long-term unemployed, but also affected the benefit system itself, as two coexisting benefits, unemployment assistance and social assistance, were merged together. Given the historical propensity of the German political system to produce reform bottlenecks and several decades of small-steps welfare state reforms, the Hartz IV reform was particularly ambitious. Secondly, the Schröder government put the merger on to its political agenda despite enduring resistance from its own ranks and trade unions against the resulting abolition of the status-preserving unemployment assistance scheme. Moreover, whereas other political actors generally agreed on the idea of a merger, important divergences existed regarding the question of financial and organisational responsibility. They were already palpable during the agenda-setting phase, but crystallised later on in the legislative phase. The obstacles to the merger were therefore huge, and until early 2002, the idea of a merger remained largely a political taboo within the government.

There are certainly a number of diverse factors that led the Schröder government to push for the Hartz IV reform in early 2003. Among them, was the preparatory work by several working groups outside and within the Ministry of Employment, which made a detailed reform concept available to the Schröder government when needed. Without this preparatory work, and without the proactive work by policy entrepreneurs within the Ministry of

Employment to push for an integration of unemployment and social assistance at the strategic windows of opportunities that were the Hartz commission and conception of the 'Agenda 2010' strategy, the idea of an organisational and substantive integration would probably not have been brought into Schröder's 'Agenda 2010' reform programme in 2003. Second, and perhaps more relevant for understanding Schröder's ignorance of political resistance, was the failure of the Schröder government's attempts at negotiating a comprehensive labour market policy reform in joint agreement with social partners, which allowed Schröder to distance himself from trade unions at the beginning of its second term in office.

Yet, the case study also shows that in late 2002-early 2003, all conditions were met for the Schröder government to perceive the Hartz IV reform as an attractive solution allowing it to achieve several objectives simultaneously.

The first type of objectives clearly pertains to activation policy. From the very beginning, discussions around the coordination of unemployment and social assistance were always clearly embedded in the objective of reducing long-term unemployed by the way of a more efficient and coherent active labour market policy. In this context, discussions were guided from the start by the willingness to improve the access of social assistance recipients to employment promotion programmes, to enhance work incentives for the long-term unemployed, and finally, to put an end to the ineffective tendency of each of the two systems to shift their clients on to other systems rather than try to bring them back into work. Similarly, in 2003, Schröder insisted on the objective of promoting activation through the integration of the two systems, emphasising that integration should not only help social assistance recipients receive better work-related support, but also aim for more work incentives. In one sense, in early 2003, activation policy goals had become all the more important due to rising unemployment and because the Schröder government had still not succeeded in enforcing a comprehensive reorientation of the German welfare state towards employment promotion. The most significant reform in this direction was the Job-AQTIV law, but it was widely considered to only be a soft activation policy reform centred on enabling elements. Thus, the choice for a unique benefit system based on social assistance benefit levels can at least partly be explained by the willingness to help jobless people to return to work sooner.

On the other hand, it is more than doubtful that the objective of reinforcing activation policy alone was compelling enough to persuade Schröder to go down the radical path of a substantive integration. Indeed, it is probable that other less radical options that were discussed at that time, like the establishment of a single gateway at organisational level only, but coupled with a shortening of the maximal duration of unemployment assistance to two years, could have produced the same results in terms of incentives to return to work (interview G9). While they would certainly not have gone as far in eliminating organisational duplications and cost-shifting practices, they would have been better able to obtain support from trade unions and the left wing of the SPD (interviews G2, G9).

Based on this, it seems that it is above all the prospect of achieving two other types of benefits that proved decisive for the choice of the radical solution of an organisational and substantive integration. The first type of objective belongs to the category of institutional goals, and was

more precisely about relieving local authorities from large parts of social assistance expenditures. In 2002, political pressures from local authorities and their rapidly deteriorating financial situation largely ruled out the option of shortening unemployment assistance and transferring the very long-term unemployed on to social assistance. Organisational integration left this problem likewise largely unresolved, and one could argue that the issue of the municipal finances crisis left only one available option: an integration at both the organisational and substantive integration coupled with the removal of financial responsibility from local authorities. But the objective of unburdening local authorities was not only a question of necessity for the Schröder government. It was also apparently in response to the government's willingness to use savings as a lever to fulfil its promise to develop child-care infrastructures. As initially planned, the Hartz IV reform would allow local authorities to save 2.5 milliard Euros, of which 1.5 should have been reinvested in child care (interviews G4, G5). Like in the case of the British Jobcentre Plus, one sees that the integration of social and employment policies in Germany reached beyond this area with the perceived opportunity to create synergies with adjacent fields also playing an important role in its agenda-setting.

Finally, the case study also reveals the critical role of electoral objectives in the agenda-setting of the Hartz IV reform. Electoral considerations had been important throughout the process, if one considers that the issue of integration first emerged in the political arena in the run-up of the 1998 general election, and got its first decision of principle in connection with the 2002 general election. However, electoral objectives were particularly obvious by the end of 2002, when Schröder and his counselling team at the Federal Chancellery, confronted with persistently poor labour market performance, a rather empty reform agenda, and a rising public discontent with its indecisive politics, took the decision to push for a radical reform programme. In this context, the merger of UA and SA, due to its very radical nature, proved a very good way for Schröder and his government to demonstrate his determination to depart from his previously hesitant and half-hearted course of reform, and restore public confidence in Germany's capacity to tackle labour market and financial problems.

From then on, the Hartz IV served an important symbolic, signalling function, showing Schröder's ability to take action, even if measures proved to be painful. As it appeared, it is only from that moment that the idea of a radical integration seems to have attracted the attention of Schröder and his team. The fact that, in his Agenda 2010 speech, Schröder essentially emphasised the 'demanding' aspects of the merger, like benefit levels based on social assistance and stricter job suitability criteria while leaving aside more positive elements such as for instance the expansion of labour market integration measures, a better and more streamlined support for the long-term unemployed, or even the introduction of transitional rules to compensate for abrupt reductions in benefit levels, tends to confirm the 'signalisation' function of the Hartz IV reform. Yet, as the empirical evidence from the analysis of the political situation of his government in late 2002 shows, Schröder miscalculated the strength of popular attachment to a status-preserving benefit scheme for the long-term unemployed. A wide gap may therefore exist between the ex-ante perception of electoral gains to be made and actual electoral rewards.

In sum, it appears that the agenda setting of a solution as radical as the integration of unemployment and social assistance both at the organisational and substantive levels owed

much to the more or less fortuitous conjunction of developments in relatively disconnected fields such as activation policy, the financial situation of lower tiers of government and electoral popularity, and to the perceived opportunity to act in all these fields by means of one single reform. Without considering the readiness of local authorities to be relieved of their financial responsibilities in social assistance and electoral motivations, it becomes difficult to understand why the Schröder government chose the most radical path of a substantive integration, and this at a time when other more rational or consensual forms of policy-making like the MoZArT pilot projects or the commission for a reform of municipal finances were still operating. From this perspective, the story of the emergence of the Hartz IV reform is broadly in line with our theoretical argument that the attractiveness of coordination reforms, even the most radical ones, dramatically increases as soon as governments view in them several objectives that could be simultaneously achieved.

Two particularities are, however, worth mentioning. The first one is the quite surprising critical role played by electoral motivations in the German case study. Unlike the prediction in the theoretical argument that electoral motivations were more likely in power-concentrated countries where communication with the public is an important aspect of politics, the German case study suggests that even in more fragmented political systems, electoral motivations may be crucial triggering factors for pushing for controversial reforms. The German Hartz IV reform is however specific in that, unlike many other reforms towards integrated systems, it also consisted in a substantive integration. Compared to pure organisational reforms, this made it probably more sensitive to popular attention. On this point, the Danish case study should provide us with more food for thought and comparison.

Finally, a last point deserves further attention, which is whether the goal of unburdening local authorities really constitutes an institutional goal as defined in the theoretical argument. As an objective, it can certainly help explain the Schröder government's preference for substantive integration with the central state endorsing financial responsibility. However, it significantly deviates from the theoretical conception of a typical institutional objective as a somewhat hidden goal aimed at curtailing the autonomy of non-state actors in the implementation of labour market policy that would favour stronger centralised control. Two elements tend to challenge such an interpretation. First of all, it is essentially under the pressure of local authorities that the Schröder government came to take this goal into consideration. And second, is the promise of developing child care services by exploiting the resources released through the integration. These two elements are in strong contrast to the vision of an institutional objective aiming to strategically use the Hartz IV reform to curtail the role of local authorities as it could be understood from the theoretical argument. What remains, as predicted in the argument, is the perception of a combination of several objectives to be achieved through the Hartz IV reform. This perceived opportunity played a crucial role in the final decision of the Schröder government to push for the Hartz IV reform, despite the palpable political resistance, and also to some extent, in the choice of the reform's key features.



## **6. DENMARK: THE CASE OF JOINT JOBCENTRES**

In Denmark, coordination initiatives have focused on joining employment services and active labour market measures for different categories of jobless people, including people on sickness and disability benefits. The first significant reform in this respect was adopted in 2005 in the framework of an ambitious local government reform, the so-called ‘Structural reform’, which reduced the number of municipalities and redefined the division of labour between the state, regions and municipalities. Like in the UK and Germany, there was previously a well-established distinction in the Danish system of employment services according to the benefit status of jobseekers. While unemployment insurance beneficiaries and employed jobseekers were handled by the state-run PES, people on social assistance or sickness-type benefits – the uninsured unemployed according to the Danish terminology – received employment-related support from the municipalities. In 2005, then, the introduction of joint jobcentres within the framework of the structural reform brought the two systems of employment support together, thereby establishing a single gateway to employment services in each local authority.

Due to a broad political compromise, the jobcentres set up in January 2007 diverged from the government’s initial plans. Instead of a unified jobcentre managed solely by municipalities, the 2005 jobcentre reform brought about a joint administrative structure, in which the PES and local authorities had to work together but essentially retained responsibility for their ‘own’ clientele. On this point, the reform merely internalised the previous administrative division. However, it laid the foundation for a rapid municipalisation of employment services, which took place in 2009. Since August 2009, employment services have been operated solely by the local authorities, including for the insured unemployed. This implied the abolition of the state-run PES and the shift of political responsibility for active labour market policy from the national to local governments.

Compared with the UK and Germany, the Danish case stands out for a number of reasons. The first difference concerns the type of coordination as in Denmark passive benefits have been kept separated from employment services. Coordination efforts have actually focused on concentrating the employment-related competences in one competence centre. As a consequence, besides jobcentres, there still exist three types of benefit centres in each local authority: unemployment insurance funds run by trade union-linked organisations; municipal offices for social assistance and other means-tested benefits, and finally separate municipal offices for sickness and disability benefits (OECD 2008: 80).

The second sizeable difference lies in the political and economic context in which the jobcentre reform gained ground. Whereas the British and German reforms were carried out by left-wing governments which previously experienced opposition for many years, the Danish jobcentre reform was adopted under a liberal-conservative government, which toppled the Social-Democratic government in 2001 after eight years in opposition. The Danish case thus displays a similar but reverse political context. Moreover, the reform took place in a comparatively favourable economic context. Despite a short increase in unemployment in 2003-2004 and after the 2008 global financial crisis, Denmark experienced very low



unemployment and fair employment growth throughout the 2000s. In fact, when the liberal-conservative government arrived in office in 2001, it inherited an employment ‘miracle’. But it also inherited an enshrined active labour market policy expanded under the former Social-Democratic-led government to tackle the economic and employment crisis that hit Denmark hard in the beginning of the 1990s.

### **6.1. The Danish social security system up until 2001**

In the now classical typology of welfare state regimes of Esping-Andersen, Denmark typically belongs to Social Democratic regimes, which is broadly built on universal tax-financed benefits, a commitment to full employment accompanied by a strong emphasis on active labour market policy (Kautto et al. 2001). In Denmark, the 1960s marked the foundation of the modern welfare state, and alongside this, the formative period for active labour market policy with the introduction of the first life-long training and education measures and the creation of modern PES in 1969 (Jørgensen et al. 2009). However, it is in the early 1990s, marked by high unemployment and mismatch problems, that the Danish active labour market policy greatly expanded under the Social Democratic government. Since the impressive fall in unemployment from the mid-1990s, Denmark has been internationally praised for its ‘flexicurity model’ which combines a flexible labour market, a generous system of income support for the unemployed, and active labour market policies geared towards upgrading the skills of unemployed individuals (Madsen 2009: 44-45).

Organisationally, typical features of the Danish Social-Democratic welfare state are a strong involvement of local authorities in delivering income transfers and services, and for unemployment insurance, the reliance on the Ghent model, i.e. a voluntary system administered by trade union-linked unemployment funds (*A-kasser*; Clasen and Viebrock 2008). Concretely, this means that to get unemployment insurance benefits, workers must register with an unemployment insurance fund and pay related fees. Currently, about 80 per cent of the workforce is a member of an unemployment fund (Clasen and Viebrock 2008: 438).

#### ***The benefit system***

Several types of benefits exist for jobless people. Unemployment insurance and social assistance, which form a two-tier system for unemployed people, are the most important, but one can also mention sickness and disability benefits, whose recipients have been increasingly subjected to work tests and activation requirements over the past 20 years<sup>51</sup>. All four benefits are either flat-rate (in the case of social assistance and disability pensions) or, in the case of unemployment insurance or sickness benefits, earnings-related but with low ceilings. Yet, as most claimants receive the maximum amount, they de facto much more resemble flat-rate benefits (European Commission 2011, Goul Andersen 2011). For all these benefits, the major

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<sup>51</sup> One could additionally mention early retirement schemes, but those have not been subject to activation requirements to the same extent as other benefits. This is why they will not be considered in the analysis.

source of financing is public taxation, either at the state or local level. This holds equally true for unemployment insurance, even though membership contributions should normally act as the primary funding mode. In practice, however, because fixed membership contributions only cover a small share of total expenditures, tax funding has long become the most important source of financing (Clasen et al. 2001b: 203, Goul Andersen 2011: 190).

Until 1993 when a Social Democratic government took office, unemployment insurance (later called unemployment benefits) approximated to a 'citizen-wage' system (Goul Andersen and Pedersen 2007). Access was relatively easy, as eligibility only required one year of membership at an unemployment funds and six months of employment within the last three years. What is more, benefit duration was almost unlimited in time. Through participation in subsidised employment programmes in the public sector, the maximum benefit duration could virtually extent *ad vitam aeternam* (Jensen 1999, Goul Andersen 2011: 190-191). Lastly, work-related requirements were quite lenient.

In the face of skyrocketing unemployment in the early 1990s (see figure 6.2), the Social Democratic government newly appointed to office launched a comprehensive reform programme of unemployment insurance that would take place in three stages (1993; 1995 and 1998). The reforms affected, above all, the duration of benefit receipt and active labour market policy. The maximum benefit duration was restricted to four years, and a division into a passive and an active period introduced. In 1998, following the third reform phase, the maximum four-year period was composed of a first passive year (with possibilities of activation) followed by a three-year activation period with the right and duty to take part in active measures throughout the period (Maerkedahl 2001: 264). At the same time, the trend towards more compulsory activation was balanced with the diversification of active programmes, especially in training and education, and a stronger needs-oriented allocation of programmes through the establishment of individual activation plans. Finally, the reforms included tougher job suitability criteria and job search requirements (Maerkedahl 2001, Goul Andersen and Pedersen 2007, Goul Andersen 2011).

The reforms in unemployment benefits considerably developed the Danish system of active labour market policy. By the end of the 1990s, it was estimated that around 3-4 per cent of the Danish workforce was enrolled in some kind of active labour market measures (Jensen 1999, van Oorschot and Abrahamson 2003). In contrast, benefit levels remained largely unchanged as a result of the government's pledge to fight unemployment without curtailing income support (Ploug 2008).

Next to unemployment benefits, means-tested social assistance (*kontanthjælp*) constituted the second tier for the unemployed. Not only did it offer, like most social assistance programmes, financial support to those unemployed having exhausted their entitlement to unemployment insurance, but, due to the voluntary Ghent system of unemployment insurance, also covered the short-term unemployed not members of an unemployment insurance fund. These two categories of unemployed formed the non-insured unemployed. Similarly to Germany before the Hartz IV reform, social assistance was ruled on at national level, but was administered and

half funded by local authorities<sup>52</sup> (Damgaard 2003: 145, Hendeliowitz and Woollhead 2005). These general features have largely remained unchanged so far.

Despite early efforts targeted at youth unemployment, activation efforts in social assistance generally remained less intensive than in unemployment benefits in the 1990s (Goul Andersen 2011). The introduction of a 'Law on Active Social Policy' in the late 1990s partly compensated for this shortcoming. It introduced the obligation for those 'whose only problem was unemployment' to take part in an activation measure after a certain time and to actively seek for jobs. However, the scope for activation generally remained subject to large variation across local authorities, and the types of programmes were often restricted to sheltered employment or job training programmes in the public or private sector (Rosdahl and Weise 2001: 172-174). Formally, 'fit-for-work' beneficiaries had to register with the PES for job search assistance and job placement. But here again, the proportion effectively registered varied greatly across local authorities, and it appeared that for the PES, handling with social assistance recipients often came as a minor priority (interview DK4, Danish Government 2002b: 9, Damgaard 2003).

One final category of benefit schemes deserves our attention, namely sickness and disability benefits. Like social assistance, these benefits are administered and jointly financed by national and local taxes. Compared to social assistance, the share of national funding was however higher. Partly due to the financial incentives for local authorities to transfer social assistance recipients to these schemes, the number of sick and disabled people increased significantly in the 1990s. This development gave rise to several reforms, which broadly followed a similar logic to unemployment insurance and social assistance. Greater emphasis was put on labour market integration, without however undermining their overall generosity and universal character. In 1997, local authorities became obliged to conduct follow-up interviews every two months in case of sickness benefits, and to draw up reintegration plans after six months of work incapacity. The Law on Active Social Policy also extended coverage to disability claimants, albeit within a separate regime. Finally, in view of a reduction in the number of new claims for disability pensions, so-called 'flexi-jobs' were introduced in 1998, providing permanent wage subsidies to persons with reduced work capacity. High reimbursement rates by the state led the number of flexi-jobs to rapidly increase (Høgelung and Greve Pedersen 2002, OECD 2008, Goul Andersen 2011: 196-197).

In sum, reforms in the 1990s were mainly geared towards enhancing the work focus for all categories of jobless people on benefits (Goul Andersen 2011: 197). Nevertheless, changes predominantly affected people on unemployment benefits (Maerkedahl 2001, Ploug 2008). It is only towards the end of the 1990s that efforts began to target the non-insured unemployed, including people on sickness and disability benefits. Yet, the activation system for the non-insured unemployed remained somewhat less developed and less successful in returning jobless benefit claimants to gainful employment. In this sense, the reforms of the 1990s contributed to the creation of a two-tier activation system.

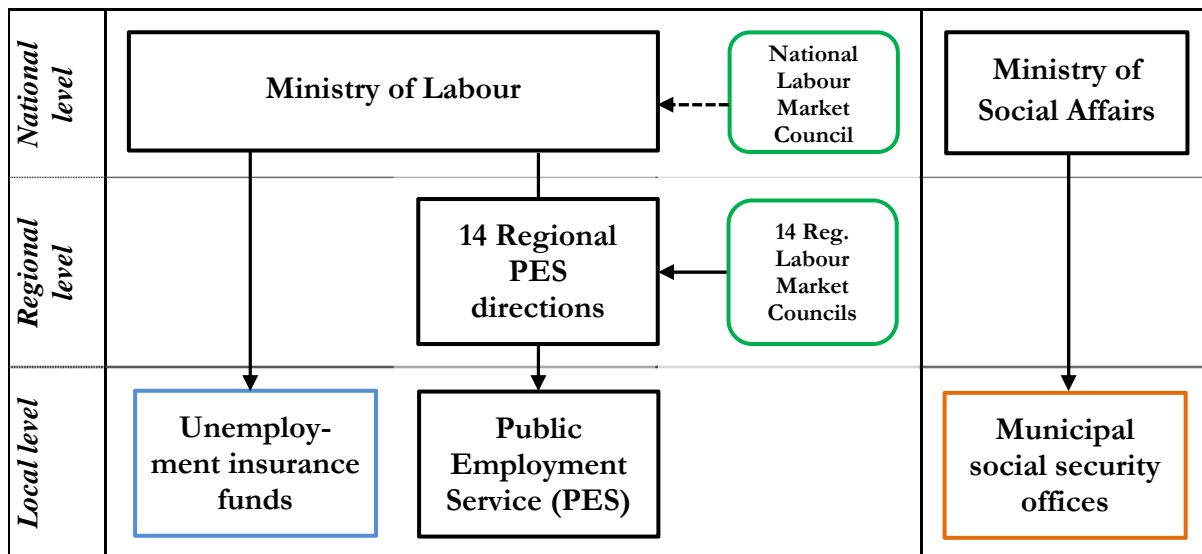
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<sup>52</sup> Regarding financing, the main difference was that municipalities can levy their own taxes.

### ***The organisational system***

Two features need to be stressed when describing the organisational structure of the Danish social security system. First, underpinning the two-tier activation system, an administrative division of responsibilities for the insured and non-insured unemployed; and secondly, the important decision-making powers given to social partners in the formulation and implementation of labour market policies for the unemployed.

**Figure 6.1: The organisational set-up of the Danish social security system until 2001**



First, the dual benefit system for the insured and non-insured unemployed mirrored an administrative division of responsibilities, which bridged state and local levels (see figure 6.1). At the national level, the responsibility for the insured and the non-insured unemployed was divided between two ministries, namely the Ministry of Labour for the insured unemployed, and the Ministry of Social Affairs for the non-insured unemployed. The division not only concerned the management of passive income transfers, but also employment services, as the overall responsibility for labour market policy for the short-term unemployed fell under the control of the Ministry of Labour, while ‘Active Social Policy’ for the non-insured unemployed was supervised by the Ministry of Social Affairs (Hendeliowitz and Woolhead 2005).

In terms of delivery, local authorities traditionally acted as a single point of contact for the non-insured unemployed. Beyond administering and delivering most income transfers except unemployment insurance benefits, authorities also had to provide employment-related support and active labour market programmes for their clients, including sick and disabled people. In this area, however, in virtue of the Danish principle of local self-government, local authorities retained a great deal of autonomy in developing their own systems of active labour market programmes (Damgaard 2003).

For the insured unemployed, in contrast, two different organisations were involved in the administration of benefits and employment services. As mentioned above, the administration of unemployment insurance was, and still is, handled by unemployment funds, whose tasks include verifying benefit eligibility, paying out benefits, as well as controlling work availability and if necessary enforcing sanctions (Madsen 2009: 53). In 2011, there were 27 different funds, most of them being organised around occupational lines (European Commission 2011). Although formally independent organisations supervised by the Ministry of Labour, they have remained very close to the trade union active in their respective occupational sector. Moreover, whereas membership to a fund does not require being member of the affiliated trade union, workers usually conceive the two as going together, resulting in a high degree of unionisation of about 80 per cent of the workforce (Madsen 2009: 51). From this point of view, by securing large coverage and strong institutional powers vis-à-vis the government, unemployment funds have remained an important institutional function for the trade unions.

Besides unemployment funds, there was the Public Employment Service (*Arbejdsformidlingen*, thereafter PES) dealing with all employment matters, including job-search support, job placements and active labour market programmes. While job search counselling and job placement were also open to job-ready, non-insured unemployed people, active labour market programmes were restricted to recipients of unemployment benefits.

Formally, the Danish PES was established in 1969, and its responsibility was transferred from trade unions to the state (Ministry of Foreign Affairs of Denmark 2003). Nevertheless, social partners retained important decision-making powers through the establishment of tripartite bodies at national and regional levels with responsibilities in the formulation and design of active labour market policies. At the national level, the National Labour Market Council set out the broad lines and formulated targets for activation policy (Damgaard 2003: 90). At the regional level, the country was divided into 14 employment regions, with one specific regional tripartite council attached to each region (see figure 6.1).

In 1993, as part of the labour market reform undertaken by the Social Democratic government, the decision-making powers of the regional labour were substantially increased in an attempt to introduce a greater decentralisation in active labour market policy, and strengthen the role of social partners in their implementation (Damgaard 2003: 92, Ploug 2008). In this respect, the regional councils gained control over the allocation of budgets for the different active labour market programmes to be implemented in their respective region (Hendeliowitz and Woolhead 2005, Madsen 2007). One consequence of the strengthened role of these tripartite regional bodies has been the growing importance of education and training programmes during the 1990s, which trade unions particularly liked (interviews DK2, DK6).

In sum, at the turn of the century, the two-tiered activation system was anchored in a two-tiered organisational structure governed by different management principles. The system for the non-insured unemployed was a municipal system with strong reliance on local self-government. In contrast, the labour market system for the insured unemployed was a regionalised state system founded on the corporatist involvement of social partners (Damgaard 2003: 23).

### ***Key labour market issues at the turn of the century***

Denmark was hit particularly hard financially by the 1973 oil crisis. Over the next twenty years, the country suffered from chronic inflation, public deficits and high unemployment (Ministry of Foreign Affairs of Denmark 2003). In 1993, open unemployment had reached an unprecedented level of 12 per cent of the workforce. However, unlike many other countries, labour force participation remained relatively high and, owing to the inclusiveness and almost time unlimited unemployment benefits, long-term unemployment also remained relatively low (Goul Andersen 2011: 188).

Under the Social Democratic-led governments between 1993 and 2001, unemployment dropped from 12 to 5 per cent, leading many to talk about a Danish employment miracle. In 2000, the government largely attributed this employment success to the active labour market policy it had carried out since 1993 (cf Ministry of Foreign Affairs of Denmark 2003, van Oorschot and Abrahamson 2003). However, at that time, many voices had already warned against an overly simplistic cause-effect relationship. First, the fall in open unemployment was accompanied by significant caseload transfers to active labour market programmes<sup>53</sup>, early retirement and work-incapacity benefits (Statistics Denmark 2001: chap. 4, p. 5). Second, many observers noted that this success owed as much to a successful balancing of macroeconomic policy, moderate wage increases through collective bargaining and a favourable international business cycle (Madsen 2009: 65).

Whatever its precise causes, the Danish employment miracle of the 1990s nevertheless contributed to a shift in the political debate away from the issue of open unemployment. From 2000 on, the debate on labour market policy instead focused more heavily on the issue of prospective labour shortages and, connected to this, on the return of non-insured unemployed to paid employment. As the fall in unemployment made this category more visible, concerns were increasingly raised that efforts to reintegrate this category into the labour market were too weak, and that the type of labour market programmes offered by local authorities, i.e. often sheltered employment, was ineffective (see e.g. Maerkedahl 2001, van Oorschot and Abrahamson 2003, Bredgaard and Larsen 2008, Ploug 2008). While the number of people on social assistance decreased during the 1990s, this was by far not to the same extent as unemployment insurance did (see figure 6.2).

A second issue concerned the quality and efficacy of the labour market programmes for the insured unemployed. In the 1990s, the introduction of mandatory periods of activation led to a boom in active labour market policies, especially education and training programmes. By 2000s, following evaluations that had concluded the employment effects of human-capital oriented programmes had been limited, many actors came to view the active labour market policy for insured unemployed as ineffective and overly bureaucratic. The Liberal Party and the employers' head organisation, the Confederation of Danish employers (DA), were among those to levy the most vigorous criticisms against the role of the PES and its active labour market policy (interview DK2). But equally within the Ministry of Labour, the perception became that attention should be paid more carefully on the content of measures rather than on the quantity of measures (Maerkedahl 2001: 273, Goul Andersen and Pedersen 2007: 12-13).

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<sup>53</sup> People participating in labour market programmes had been removed from unemployment statistics in 1998.

As a consequence, in 2000 the Social-Democratic government relaxed the obligation of being activate after one year of unemployment (Maerkedahl 2001). This was followed in October 2001 by a reform proposal seeking to reorient labour market policy towards an emphasis on job search, job placement and the individualisation of activation efforts. Social partners and the liberal-conservative opposition welcomed the attempt at reorienting the active labour market policy, but criticised the initiative for not going far enough (Jørgensen 2001). The reform proposal was however dropped in November 2001 when the Social Democrat Party lost the general election.

**Figure 6.2: Unemployment rate (right axis, as percentage of the labour force) and number of people receiving unemployment benefits and social assistance (left axis, in 1000' and full-time equivalents)**



Sources: Statistics Denmark (Unemployment rate) and Clasen and Clegg (2011) for the number of benefit recipients

In spite of growing concerns about the quality of labour market programmes for both the insured and non-insured unemployed, until 2001, the issue of the administrative division of responsibilities for the insured and non-insured unemployed never became really salient. In 1993, a social commission had suggested that a unified employment system be introduced, but the Social Democrats did not follow up on that particular proposal (Goul Andersen 2011: 197). Towards the mid-1990s, a few pilot projects for greater cooperation between the PES and municipalities were nevertheless established in some regions, but with little success and

no further concretisation (interview DK4). Finally and perhaps more importantly, a ‘Task commission’ set up by the Social-Democratic-led government in 1998 to analyse the division of responsibility between the state, regions and municipalities concluded that there was no need for a change in the division of labour (Damgaard 2003: 99, Politiken 2004, Bundgaard and Vrangbaek 2007). This somehow marked a provisional end to the political debate on a thorough reorganisation of the tasks between the three levels of governments.

## **6.2. The political context**

In 2001, a liberal-conservative government replaced the Social-Democratic government in what has been called a ‘big bang’ election. For the first time in a long time, the Social Democratic Party lost its status as the largest party in Parliament. Its defeat was even more surprising given the success of the Social Democratic-led governments in economic and labour market issues, two areas that were traditionally a great dilemma for Social Democratic parties in office. This section first reviews the main features of the Danish political and party system and then turns to a more thorough examination of the factors behind the landslide victory of the Liberal Party in the 2001 election. The aim is to provide insight into the political context facing the liberal-conservative government when it launched its jobcentre reform, both from the point of view of the actual political barriers it had to overcome and from the electoral incentives to take up a pro-welfare reform programme that excluded open retrenchment measures.

### ***The political system: consensus and electoral competition***

When analysing the Danish political system in terms of its impact on government capabilities, Denmark is usually depicted as a country with a consensual mode of decision-making, favouring broad compromises instead of radical one-sided reforms. Three features are commonly said to restrict the manoeuvres of Danish governments that wish to adopt their preferred reforms: the strong role of local governments, corporatism and minority governments (Obinger et al. 2010). However, as we will see here, their influence also depends on governments’ political strategies and alliances, and apparently they did not prevent the liberal-conservative government from pushing for the jobcentre reform. As the next sections will show, this does not mean, however, that the agenda-setting of the jobcentre reform was an easy task for government.

Traditionally, due to their strong role of social partners and local governments in implementing social and employment policies, the rule has been that the government consulted and found agreement with these two actors before any major reform could be passed in this field (Mailand 2008). While this may require the government to strike a compromise with either one of the two actors, this does seem to have seriously undermined the capacity of central government to put radical reforms on its political agenda when needed or desired over the past few decades. One notable exception is seen at the end of the 1990s when, in the framework of the third phase of labour market policy reforms launched by the



Social Democratic party in office, social partners agreed on a bipartite basis for the content of the reform, leaving the government, after the consultation phase, with no other option but to implement the proposals made by social partners (interview DK2, Mailand 2006). However, more generally speaking, the informal rule of consulting with social partners, and thereby the influence of social partners in legislation, seems to have eroded over the past few decades (Larsen and Mailand 2007). In the case of the 2005 jobcentre reform, while there was ample consultation with local governments due to the impact of the Structural reform could have on their role, the liberal-conservative government came to ignore the opposition of social partners in the early consultative phase of policy-making. Similarly, in 2009, the municipalisation of jobcentres was passed in connection with the parliamentary negotiation on the annual state budget, which was not subjected to a previous consultation with social partners (Juul Christiansen and Damgaard 2008).

Minority governments are commonly said to constitute a second important feature of the Danish political system limiting the government's decision-making powers. Since the general election of 1973, rare have been the governments, either from the left or right wing, able to secure alone a majority in parliament. Hence, minority governments were forced to rely on opposition parties to pass legislation, either on an *ad hoc* basis or on a more permanent basis through formal support of an opposition party (Juul Christiansen and Damgaard 2008: 58). In such cases where a minority government relies on a support party on an almost permanent basis, the Danish political system resembles more of a majority system like the UK, than a consensus system (Green-Pedersen and Thomsen 2005). The liberal-conservative government could rely on the support of the populist right-wing Danish People's Party to secure a parliamentary majority for its reforms, which it eventually did in 2005 with the jobcentre reform once a compromise with the Social Democrats proved to be impossible.

### ***The 2001 big bang election***

In November 2001, the Liberal Party (*Venstre*) won the general election and together with the Conservative Party formed a minority coalition government, which however could gain parliamentary majority with the support of the Danish People's Party. The Liberal Party's landslide victory not only reversed the Social-Democratic-led government in place from 1993, but also ended the long-standing position of the Social-Democratic Party as the largest party in Parliament. Despite an excellent economic performance of the Social-Democratic government and enduring strong popular support for the welfare state – an issue historically 'owned' by the Social Democratic Party -, the victory of the Liberal Party had been predicted from 1998 (Goul Andersen 2003).

Originally an agrarian party, in the 1980s and 1990s the Liberal Party embraced a radical neo-liberal agenda directed at the urban middle-class (Arter 2012). During the first half of the 1990s, the party distinguished itself by launching particularly strong neo-liberal attacks against the Danish welfare state<sup>54</sup>. However, in 1998, in the face of another electoral defeat, the Liberal Party under the leadership of Anders Fogh Rasmussen gradually came to abandon

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<sup>54</sup> In 1993, Anders Fogh Rasmussen for instance published a book entitled 'From Social State to Minimal State'.

its neo-liberal reform agenda in favour of pro-welfare positions in an attempt to improve its 'policy image' and capture part of Social Democratic voters (Goul Andersen 2003, Goul Andersen 2006: 579).

As a result, in the run-up to the 2001 election, the Liberal Party came up with a political programme clearly in favour of welfare expansion. Among its core proposals appeared, for instance, the introduction of a longer parental leave and increased budgets for hospitals to curb waiting lists were of particular importance (Venstre 2001a). The only retrenchment initiative it proposed was to cut spending in active labour market policies for the insured unemployed while making them more effective (Venstre 2001b). However, on this point, the programme also clearly underlined the point that savings were not an end by themselves but would rather be used as a means to finance better maternity leaves. Moreover, politically, these spending cuts posed little risk of being attacked, as the Social-Democratic Party had equally seized upon the issue (admittedly under the criticisms of the Liberal Party) and presented a reform proposal in a similar direction (see section 6.1). In fact, by 2001, the Venstre Party and the Social Democratic Party diverged only little in their positions with regards social and employment policies. Both demanded more selective expansion in some areas, while endorsing a view for a more effective and efficient labour market policy for the insured unemployed.

What actually made a big difference in support for the Liberal Party was the immigration issue, which turned into a crucial campaign issue (Green-Pedersen and Odalm 2008). From mid-1998, the issue of stricter immigration rules was increasingly politicised, partly under the influence of the Danish People's Party and partly due to the absence of any other large socio-economic problems (Goul Andersen 2003: 188). While the Liberal Party campaigned in favour of stricter rules and greater integration of immigrants from 1998 onwards, the Social Democratic Party remained divided as to the best strategy to adopt (Goul Andersen 2003). The indecision of the Social Democratic Party proved electorally very costly, particularly at a time of economic stability with labour market issues of little concern among voters, and accordingly, in the campaign debates (Goul Andersen 2003).

Altogether, the redirection to the centre on welfare issues, combined with a shift on the right on immigration policies, enabled the Liberal Party to win the elections. In contrast, due to the good economic situation, labour market issues featured little in the election campaign. Nevertheless, the Social Democratic good unemployment and economic performance undoubtedly put strong pressure on the newly formed liberal-conservative government to perform equally well on these issues. More generally, due to its image deficit of a pro-welfare and pro-state party, political and public pressures were high for the new government to keep its electoral promises on welfare state expansion and prove its firm commitment not to cut in public expenditures or public services in the first years of its term (interview DK1)

It is in this political context that one can also understand the liberal-conservative government's decision to channel its efforts into labour market policy on the activation of the non-insured unemployed. As previously outlined, the emphasis on this issue may have sound economic grounds in a context of very low short-term unemployment. But for the Liberal Party, it may also have represented a politically convenient way to enact something in labour

market policy while avoiding having to announce reforms in the passive benefit system or in the system for the insured unemployed which was fiercely guarded by the Social Democrats and social partners (Interview DK5). By extension, this may also explain the sudden attention paid later to the administrative integration of employment services for the insured and non-insured unemployed, which precisely avoided these two problematic fields, while relying on values like individualisation of employment support that the Social Democrats had supported in the past (cf section 6.4).

### **6.3. Preliminary steps towards an integrated employment system**

During the election campaign of 2001, the issue of integrated employment services for the insured and non-insured unemployed was remarkably absent of the debate, just like debates on labour market policies were overshadowed by welfare state areas that had been left unsolved by the Social Democratic government (Goul Andersen 2003, 2011). Nevertheless, a few signs in the first months after the election tended to indicate that the newly formed liberal-conservative government was inclined to reorganise the structure of the welfare state.

The first sign was a strong emphasis by Fogh Rasmussen on the need to streamline the state bureaucracy by the means of simplifying rules and procedures, and reducing the number of boards and councils involved in the management of the public sector which, according to the new government, had grown by nearly two and a half since the 1980s (Prime Minister's Office 2001). Streamlining bureaucracy became one central aspect in the Government programme of November 2001, and it dominated PM Fogh Rasmussen's New Year speech of January 2002.

The issue had several advantages: First, fighting bureaucratic redundancies and overlaps could release the necessary resources for financing welfare improvements without having to cut in the protection levels achieved so far (Prime Minister's Office 2001). Second, and albeit much less openly stated, the bureaucratic structure could be seen as a means to reduce public spending without having to cut in the public workforce accounting for a large part of voters in Denmark (Politiken 2004, 15 April 2004) Finally, the issue provided the opportunity to link two core pledges of the Liberal Party at that time, namely 'More value for money' and 'People have priority over the system':

*“What matters is not whether necessary support and services come from the government or from the private sector. What matters is that we get something decent for tax money. We are not afraid to shake and see if something can be done better and differently than today. We have no ideological blockages. We are not bound by narrow interests or specific groups. We will give people priority over the system. (...) The government will eliminate redundant councils and institutions. It will be a very comprehensive reorganization. We will clean up the intermediate administrative level, as it diverts resources from the essential. It will certainly trigger an outcry from those affected. But it is most necessary to secure money for hospitals, the elderly and other core services.”* (PM Fogh Rasmussen's New Year Speech, 2002 in [www.danmarkshistorien.dk](http://www.danmarkshistorien.dk))

This declaration did not directly point to the organisational structure of employment services. However, it suggested an interest from the government to depart from the corporatist structure involved in the implementation of labour market policies.

Beyond this general commitment to streamline the Danish bureaucracy, there were, however, clearer signs that the government planned an integration of employment services for the insured and non-insured unemployed in the forthcoming years. Immediately after the election of the new government, the employment section of the Ministry of Social Affairs dealing with non-insured unemployed was moved to the Ministry of Labour to form a new Ministry of Employment (Interviews DK3, DK4, Damgaard 2003: 89, Mailand 2008). Then, in spring 2002, the liberal-conservative government came with a labour market reform proposal entitled 'More people in work', which focused heavily on enhancing the work focus for the non-insured unemployed through harmonising work requirements and labour market programmes for the two categories of unemployed. The reform was adopted with a broad parliamentary majority in October 2002. In many scholars' view, the reform laid the ground for the organisational integration of employment services (Mailand 2008, Carstensen 2010).

### ***The 2002 reform 'More people in work': key elements***

The reform proposal represented an early concretisation of the Liberal Party's electoral pledge to improve the efficiency of active labour market policy (Danish Government 2002b). As stated by the government, the main objective was to restructure the content and use of active labour market policies in the direction of a stronger focus on work, greater flexibility in the allocation of labour market measures, and greater orientation on 'the needs of the unemployed, whether they are insured or not' (Danish Government 2002a: 1). Accordingly, the introduction of a harmonised system of rules regarding contact procedures, job placement, access to active measures, work availability criteria and sanctions featured very high in the reform proposal. Besides, the reform proposal also included an overall redirection of labour market programmes away from training and education measures towards a greater emphasis on employment-first measures like job search support and or wage subsidies. Finally, a third broad type of measures affected more directly the administrative structure and procedures, as the reform planned a change in the financial steering mechanisms and a larger role for private actors in the provision of labour market programmes (Danish Ministry of Employment 2002a, 07.10.2002).

In contrast, substantive cuts in benefit levels were largely absent from the reform proposal. As stated by the Prime Minister when unveiling the reform proposal in May 2002, the government had no plans to lower benefits, but would only look at marginal cases where there were few or no incentives to return to work (Politiken 2002, 25 May 2002). This was from the perspective of enhancing financial incentives to return to work, used to justify the selective benefit cuts for couples and families on social assistance.

The 2002 reform 'More people in work' is commonly viewed as the reform that most clearly marks a shift in the Danish active labour market policy, away from a human capital to a work-first approach designed to get people back into work as quickly as possible (Bredgaard and Larsen 2008). By harmonising work-related rules and access to active measures, the reform

also laid the foundation for the subsequent integration of the parallel administrative structures for the insured unemployed and the non-insured unemployed. As clearly stated by the government before the adoption of the law by Parliament in October 2002, the ultimate goal of the government was to establish a one-tier employment system with a single access point for all jobless people (Danish Ministry of Employment 2002b: 2).

However, in the framework of the 2002 reform, the government abstained from unveiling any more concrete plans to reshape the organisational two-tier employment structure in future. According to government's initial proposal, the reform 'More people in work' was to constitute a first phase in a two-step reform process. What exactly would be the second step remained vague throughout 2002 (Danish Government 2002b). Actually, the most concrete plan in this direction consisted in the setting up of pilot projects to test out various models of cooperation between the PES and municipal offices. To that end, the reform eventually included a 30 million DKK fund<sup>55</sup> to run 12 pilot projects between spring 2003 and the end of 2005, and gather knowledge on the future organisation and tasks of unified employment services. The common thread of the models was that they all formed new agencies where PES and municipal workers had to collaborate in joint teams. They differed, however, on the tasks performed or the groups of unemployed targeted (National Labour Market Authority 2005).

Why did the liberal-conservative government not include any more concrete plans for an integrated employment system already at that stage? One reason for this may lie in the fact that in the first half of 2002 when the reform was prepared, the government did not know what to do next (Mailand 2008: 44) and what the best organisational model for integrated employment services would be. In the words of the former Minister of Employment, at that early stage, while many evaluations had been conducted and much was known of the impact of labour market measures offered by the PES, too little was known of the capacity of municipalities to deliver effective employment services (Interview DK3). Yet, as the next section shows, the lack of information on municipal efforts to bring non-insured unemployed back into paid employment did not prevent the Ministry of Employment from implicitly recommending a municipalisation of employment services already in early 2003. This indicates quite clearly that there was an early interest to couple the integration with a municipalisation of employment services, which was not simply a matter of a rational, problem-solving search for the most effective way of delivering employment services.

This paradox therefore points to two other arguments. The first one was a practical one linked to the 'Structural reform' of local governments, which was launched in Autumn 2002. The objective was to restructure the size and responsibility of local governments in the direction of larger municipalities, but at that time the uncertainties about the results of this reform were so great that it made it impossible to unveil any concrete proposal for the organisational structure of integrated services (interviews DK3, DK4, DK5). Finally, politically, for the liberal-conservative government, revealing plans for integrated employment services involved, at that time, many risks. Because it had to build credibility on welfare issues, it was vital for the bourgeois government to secure support for its first reform from the Social Democrats and the social partners (Politiken 2002, 25 May 2002). Yet, the potential for fierce opposition from

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<sup>55</sup> about four millions Euros

social partners and Social Democrats against a probable municipalisation of employment services meant that the government was at that stage unable to reveal its future plans on this issue (Bredgaard 2011: 766).

#### **6.4. The agenda setting phase: the Structural commission's report (2002-04)**

Only when publicly unveiling its reform proposal for the Structural Reform in April 2004 did the Liberal-Conservatives first officially announce concrete plans for an administrative integration of employment services for the insured and non-insured unemployed (Christiansen and Klitgaard 2008: 24). The main item on the agenda was a far-reaching reform of the size and number of local authorities, to be merged and reduced in number from 275 to 98 with an average size of 30'000 inhabitants (Bundgaard and Vrangbaek 2007). But the reform bill also included comprehensive changes to the division of responsibilities between regional and local authorities<sup>56</sup>, which included the integration of employment services.

It is in this context that the government first made its intention to give local authorities full responsibility for the new integrated jobcentres public. The municipalisation of employment services was to be accompanied, however, with tighter control from the central state and the replacement of the 14 regional labour market councils by 4 regional employment councils to monitor the performance of municipal jobcentres (Christiansen and Klitgaard 2008: 31). The reform proposal therefore combined two politically controversial issues, namely the municipalisation of employment services and changes in the governance structure, which meant the downgrading of labour market councils from a decision-making to supervisory role.

At that point in time, however, it had long been clear for most political actors that the government was striving for a municipalisation of employment services. In January of the same year, the Structural commission, which had been set up in October 2002 to make recommendations for changes in the size of municipalities and regions, and on this basis, 'to assess the pros and cons of various models for a new division of tasks between the state, regions and municipalities' (Danish Government 2002c), had already recommended a municipalisation of local jobcentres. The commission was composed of a handful of civil servants, representatives of regions and municipalities and independent experts and was given roughly one year to deliver its report and recommendations. Hence, it largely relied on ministerial reports to draw its conclusions about possible ways of redefining the division of responsibilities for each relevant policy area. In the case of the employment and labour market policy, the Ministry of Employment delivered a report in April 2003, which indirectly argued in favour of integrated employment services run by municipalities (for more details on the reform chronology, see table 6.1)

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<sup>56</sup> In Denmark, the government structure was divided in three levels, namely the state, regions and local authorities. The structural reform also reduced the number of regions like their responsibilities.

**Table 6.1: Reform chronology of the Danish jobcentre reform**

<b>Year</b>	<b>Measure</b>
<i>Nov. 2001:</i>	The Liberal Party wins the General Election and forms a minority coalition government with the Conservative Party.
<i>May 2002:</i>	Draft reform proposal ' <i>More people into work</i> ' unveiled <ul style="list-style-type: none"><li>• Mention that the long-term objective is a one-tier employment service</li></ul>
<i>Oct. 2002:</i>	PM Fogh Rasmussen announces the setting up of the Structural Commission
<i>Dec. 2002:</i>	Adoption of the reform More People into Work in a broad consensus (to come into force from July 2003)
<i>April 2003:</i>	Structural commission: Publication of the employment sector report
<i>May 2003:</i>	Launch of the 12 cooperation projects (run until the end of 2005)
<i>Dec. 2003</i>	Conference and joint position paper from the social partners
<i>January 2004:</i>	Structural Commission: publication of the final report <ul style="list-style-type: none"><li>• On employment policy, recommendation to merge the two-tier employment system into unified jobcentres run by municipalities</li></ul>
<i>April 2004:</i>	Draft proposal on the structural reform entitled ' <i>The new Denmark: A simple public sector close to the citizen</i> '
<i>June 2004:</i>	Political agreement on the structural reform between the government and the Danish People's Party
<i>February 2005:</i>	Re-election of the Liberal-Conservative government
<i>June 2005:</i>	Parliamentary adoption of the jobcentre reform as one of the about 50 bills related to the structural reform. Two types of jobcentres: <ul style="list-style-type: none"><li>• <i>Joint jobcentres</i> run jointly by the PES and municipalities</li><li>• <i>Pilot jobcentres</i> run solely by municipalities</li></ul>
<i>01 Jan. 2007:</i>	Setting up of jobcentres, the structural reform comes into force
<i>Nov. 2008:</i>	Decision to 'municipalise' all jobcentres as part of the negotiations over the 2009 annual budget
<i>August 2009:</i>	Municipalities take over exclusive responsibility for jobcentres

### ***The sector report of the Ministry of Employment***

The appointment of the Structural commission in October 2002, which represented the starting point for the Structural reform, came as a surprise after only a couple of months of intense media attention and repeated calls from the Conservative coalition party (Bundgaard and Vrangbaek 2007). The issue of whether local authorities and regions were large enough to assume their tasks had been a recurring debate in Denmark since the 1970s. However, there had never any particular pressure or urgent need to reform the administrative structure of the state, as suggested by the Task commission, which had come to the conclusion in 1998 that no major reforms were needed (see section 6.1). Hence, given the commission's broad mandate which did not originate from well-identified problems, one of the first tasks of the Structural commission was to conduct a comprehensive analysis of the biggest challenges that the Danish public sector faced ahead, and accordingly, to identify the main weaknesses in the

structure and size of regions and municipalities and in the division of tasks between the three levels of government (Structural Commission 2004: 22-23, Bundgaard and Vrangbaek 2007). It was therefore also a task of the ministerial sector reports to identify the main challenges and problems regarding the division of responsibilities between government levels within their own policy areas.

The Ministry of Employment delivered its report in April 2003, i.e. only a few months after the reform 'More people into Work' was passed by Parliament and about at the same time as pilot projects on coordination were launched. Unsurprisingly, the report identified higher labour market participation of the most disadvantaged people as the core challenge in employment policy (Danish Ministry of Employment 2003: 1), and concomitantly, the integration of employment services as the main objective for employment policy in the following years. Formally, the employment sector report did not recommend one single organisational model for integrated employment services. Rather, it suggested three possible models for employment services: one with a continuous separate responsibility, but involving the abolition of the regional level of government, one state-run model and one municipal model.

However, a number of formulations and a profusion of graphs implicitly suggested that the Ministry of Employment favoured employment services anchored to municipalities, provided the size of municipalities were to be augmented (Mailand 2008). For instance, graphs showed that, despite considerable variation in the quality and impact of activation policy across municipalities, the best municipalities actually performed better than the PES. Moreover, the report highlighted that municipal employment services would be best at responding to citizens' needs and providing a holistic approach for people with social problems, since they already delivered most social services. This led to the conclusion that both local authorities and state-run PES had the potential for improved activation policy but that the potential was higher for local authorities (Danish Ministry of Employment 2003: 144).

Paradoxically, the picture outlined in the report did not exactly match findings from previous studies, which had come to more mixed results with respect to the respective potential of PES and local authorities to deliver effective activation policy (interviews DK2, DK4). Similarly, several independent studies released in the early 2000s had pointed to the comparatively more volatile efforts by local authorities to reintegrate their clientele into the labour market, and the large tendency of local authorities to prioritise social over labour market integration through notably a stronger focus put on social problems and measures like sheltered employment (interview DK5, see also e.g. Maerkedahl 2001, Damgaard 2003, Bredgaard and Larsen 2008). Hence, in the process of drawing up the report, the Ministry of Employment apparently deliberately ignored some of the positive studies on the state-run PES (Interview DK4, Christiansen and Klitgaard 2008). Also, it apparently ignored that the issue was highly controversial within the Ministry of Employment itself and that many people were sceptical about the competence of local governments to develop an effective labour market policy (interview DK4).

This notwithstanding, the report included a whole chapter on the organisation of Jobcentre Plus in the UK and on the Centres for Work and Income in the Netherlands, a one-stop-shop



which acted as the single point of entry for claimants of unemployment benefits and social assistance. More particularly, two aspects of the Dutch model retained particular attention. This was first the redefinition of the roles of public and private actors, as the Centres for Work and Income were only in charge of benefit claimants for the first six months, after which job search support and activation was performed by private actors and social assistance offices to take over job search support and activation. The second aspect of interest was the new profiling tools introduced to classify jobseekers according to their employability (Danish Ministry of Employment 2003).

### ***Institutional objectives and political trade-offs***

There is evidence that the government and some people within the Ministry Employment used the employment sector report to justify their intention to municipalise employment services. As many respondents pointed out, the choice of integrated jobcentres run by municipalities was primarily a political one, anchored in the negotiations over the structural reform, and intertwined with the government's desire to regain control over the implementation of active labour market policy (interviews DK1, DK2, DK6).

In parallel to the commission's work, the government began negotiations with Local Government Denmark (KL), the head organisation of local authorities, about the conditions to secure the support of local authorities for a large-scale merging process. In this process, it soon became clear that the employment services constituted an ideal sector to delegate to the municipalities, in exchange of their cooperation for the Structural reform (interviews DK1, DK2, DK6, Mailand 2008). For both actors, a municipalisation of employment services actually came close to a win-win solution.

On the one hand, Local Government Denmark had long shown an interest in taking over responsibility for the labour market reintegration of the insured unemployed (interviews DK2, DK3, DK4, Damgaard 2003). One reason was certainly symbolic, related to taking over new responsibilities (interview DK3). But another reason can be seen in the fact that, since the late 1990s, with the establishment of local social committees and the transfer of 'Active Social Policy' to the Ministry of Employment, local authorities found themselves increasingly subject to the control and supervision of social partners via labour market councils, which they saw as an invasion of their autonomy (Damgaard 2003). In this context, local authorities were very reluctant to advocate any further integration of employment services unless they were to have overall responsibility (Interview DK4).

On the other hand, the Ministry of Employment could take advantage of the municipalisation to strengthen its control over active labour market policy.

*'They made it perfectly clear to us at 'Local Government Denmark' that the labour market policy would be much more micro-managed by the state towards local governments. More rules, more restrictions and more procedures that local governments should put up with in order to have that task being moved to local governments' (interview DK1)*

Since its election in 2001, the Minister of Employment had regularly criticised the implementation deficits of municipalities in activation policy. Officially, local authorities were bound to comply with the requirements formulated in the national law on Active Social Policy, but the high level of local autonomy combined with the large discretion of social workers contributed to a diffuse implementation of municipal activation policy. Moreover, unlike for the PES, the central state had no means with which to sanction local authorities that failed to comply with the law or performed poorly (Damgaard 2003: 111). For the government committed to enhance labour market participation of the non-insured unemployed, municipal implementation gaps soon came to be seen as a major obstacle in the realization of its objective. This is from this perspective that one can understand its attempt to bring municipal employment efforts under the supervision of the Ministry of Employment. In this sense, for the government, the municipalisation of employment services precisely provided a valuable means to tighten its control and ensure a higher degree of compliance from the municipalities and lead them to change their focus away *'from people's social problems to people's ability of getting a job of some kind on the labour market'* (Interview Minister of Employment)

From the same point of view, it is also likely that the government saw the role of social partners in Regional Labour Market Councils as an obstacle to heightened control and the enforcement of its new work-first approach.

*"I'm quite sure that the liberal-conservative government also wanted to curb the influence of LO and DA<sup>57</sup>. They didn't want those two institutions to be sort of sitting on the labor market policy. They wanted to have the freedom back for the politicians to decide what to do".* (Interview DK1)

Curtailing the influence of social partners in labour market policy through the integration of employment services was one motivation raised by several respondents, who stressed, by the same token, several underlying grounds. The first one is the one suggested above, relating to the search for the effective reorientation of active labour market policy towards a greater work focus (interview DK4). But, as suggested by another respondent, giving a lesser say to social partners may have also been a matter of 'pure political fight' to show the voters that trade unions, and thereby their Social Democrat allies, were unnecessary for labour market policy to perform well (Interview DK1). Finally, within the Ministry of Employment, there was apparently still some resentment from being bypassed by the informal agreement of social partners in the formulation of the 1998 labour market reform. Thus, one cannot completely negate that the integration of employment services could have served to symbolically reaffirm the authority of the Ministry as regards labour market policy (interview DK2).

The strategic use of employment service integration in order to limit the influence social partners had in policy-making, has never been confirmed by the government itself, and there is no way to prove it. It is true that, during the whole process, the government had always very carefully highlighted that social partners would continue to be represented at all government

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<sup>57</sup> LO being the Danish Confederation of Trade Unions, the largest umbrella organisation of trade unions, and DA being the Confederation of Danish Employers.

levels and that trade-union linked unemployment insurance funds would remain unaffected by the reform. However, many authors who have published on the jobcentre reform agree that it was a major motivation of the Fogh Rasmussen government (Christiansen and Klitgaard 2008, Mailand 2008, Bredgaard 2011, Goul Andersen 2011). Moreover, such a view is consistent with the early statements by PM Fogh Rasmussen that he was committed to abolish redundant councils and boards regardless of the reactions.

### ***The Structural commissions' final report: towards a unified municipal employment service***

The commission released its final report in January 2004. On the issue of the structure and size of the regions and local authorities, the report proposed six different models of change, most of them pointing to larger municipalities and a more limited role of the regions. The least radical included almost no changes, except for the reduction in the number of regions from 14 to 7-8 regions. In contrast, the most extreme model implied a radical overhaul of the structure, with the complete abolition of regions and municipalities of at least 30'000 inhabitants (Structural Commission 2004, Gjerdin 2005).

The report identified labour market policy, along with other fields like health care or tax administration, as one field where the weaknesses deriving from the existing division of responsibilities were the most significant (Structural Commission 2004: 573). Not surprisingly, on this point, it recommended integrating the two-tier system of employment services into one unified system under the responsibility of local authority. The report, however, emphasised above all practical reasons for the choice of municipalisation. As stated in the report, a municipal model combined the advantages of bringing together all citizen-oriented social services while only marginally affecting the insured unemployed, a group that often stay unemployed for only short periods of time. Although not directly referring to changes in the role of regional councils, the report acknowledged that measures should be put in place to enhance effective supervision of local authorities and ensure adequate efforts of all of them (Structural Commission 2004: 580). Hence, although underpinned by logical arguments, the report of the structural commission ratified the informal deal between the government and Local Government Denmark.

### ***Reactions***

The employment part of the structural commission drew vehement reactions from social partners and the Social Democratic party. Criticisms were voiced as soon as the Ministry of Employment delivered its sector report implicitly recommending a municipalisation of employment services. All of them agreed on the idea of an integration of employment services, but only if the state held the responsibility.

As soon as the employment sector report came out, social partners coordinated their efforts in an attempt to influence decision-making at an early stage (Christiansen and Klitgaard 2008). In December 2003, one month before the publication of the final report of the structural commission, almost all trade unions and employers' head organisations presented a common

position paper on the occasion of a widely mediatised conference. Basically, the position paper served to mark the collective rejection by social partners of municipal-anchored employment services (interview DK2). Instead, they recommended integrated employment services run by the state, with a strong role for regional units in the management of active labour market policy (LO et al. 2003).

The consensus among social partners was quite exceptional. It did not necessarily mean that the same interests lay behind trade unions' and employer organisations' opposition to municipal employment services. While for both trade unions and employers' organisations, one major concern was that municipalities would be solely driven by their own needs and financial interests at the expense of job matching on the broader regional/national labour markets (interviews DK1, DK2, DK6), trade unions were also particularly preoccupied by a potential reduction in efforts on training and education measures if regional labour market councils were to be abolished (interview DK6)

However, their union, together with the proposal for greater regional competences, denoted a common fear that the regional labour market councils would be completely abolished, resulting in a less powerful influence not only on the implementation of active labour market policy, but also on formal decision-making processes in labour market policy.

*“We still have the labour market boards and that's in the legislation that the social partners are part of the boards; and that also gives us some right to be part of the debate because we have both the right and the duty to have views on labour market policy, because we are members of the boards.”* (interview DK2)

The position of the Social Democrats is more difficult to understand (Christiansen and Klitgaard 2008). Traditionally, the Social Democrats had been ideologically in favour of a centralisation of tasks and the strong influence of social partners in labour market policy. It was not surprising then, that Social Democrats rejected the proposal for a municipalisation of employment services. However, what was more surprising was its sudden agreement of principle on integrated employment services. Up until 2003, Social Democrats had always opposed the vision that the insured and non-insured unemployed should receive unified support. During their period in government, the question of the status of non-insured unemployed people was not even an issue (Carstensen 2010). Their opinion thus changed during 2003, which may be explained by the rhetoric used by the liberal-conservative government. From the beginning, the government had embedded its plans for integrated employment-related support in the overall objective to tackle system-based and bureaucratic logics in favour of more individualised support. And individualised support had been precisely an objective that the Social Democrats had been repeatedly pleaded for when in government. Hence, the rhetoric of individualisation, with its positive connotations, seems to have made it difficult for the Social Democrats in opposition to oppose the idea of integrating employment services (Carstensen 2010: 11).

## **6.5. The 2005 joint jobcentre reform and later developments**

Despite the unified bloc formed by the social partners and the Social Democratic Party against municipal employment services, the liberal-conservative government presented its reform bill on the structural reform entitled 'A new Denmark' (*Det nye Danmark*) in April 2004. Regarding the issue of employment services, the reform bill took up the recommendations of the structural commission almost line for line. It thus planned the establishment of unified municipal-based jobcentres to deal with both the insured and non-insured unemployed, yet with a close control from the central level. Regional units would however not be completely abolished, but there would be a smaller number of them with tasks limited to monitoring jobcentre performance and cross-cutting issues (Christiansen and Klitgaard 2008: 31). This implied a downgrading of the role of regional labour market councils from proactive decision-making on funds allocation for ALMPs to advisory and monitoring functions (Jørgensen et al. 2009). Nevertheless, the reform bill highlighted the unbroken influence of social partners. Unemployment insurance funds would keep their functions and duties, and social partners would continue to be represented at all three government levels (Christiansen and Klitgaard 2008).

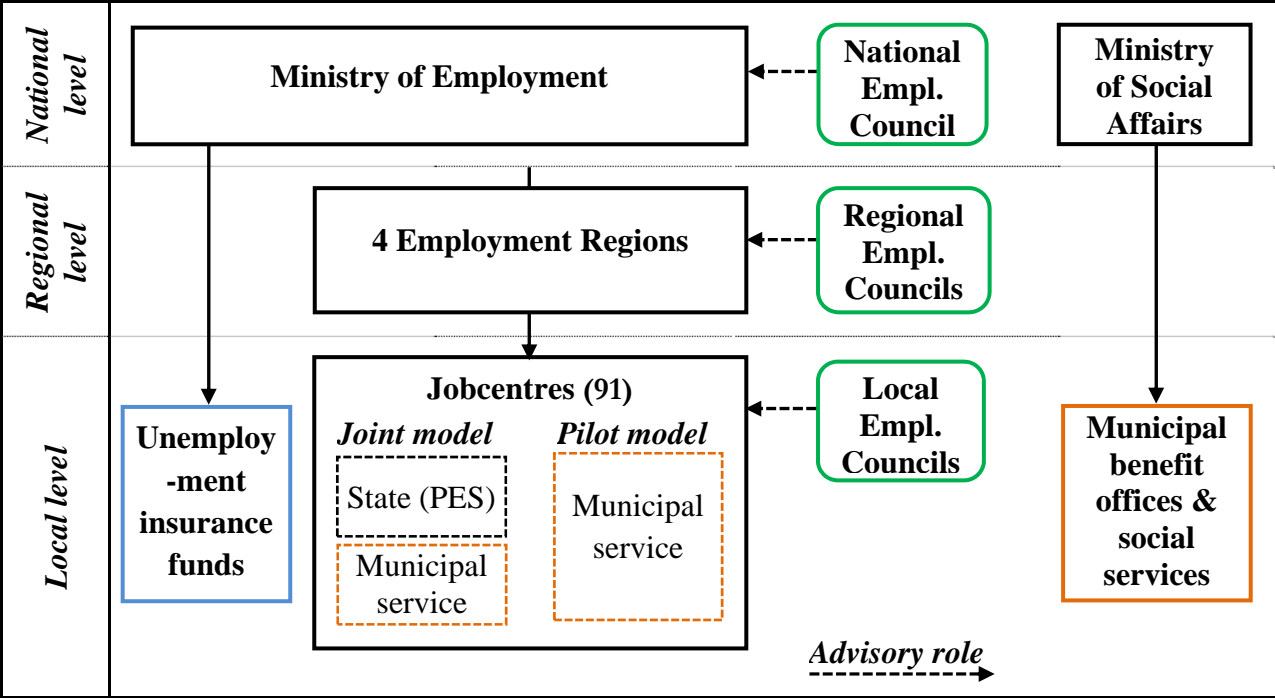
Due to opposition from the social partners and the Social Democrats, it was decided to keep the issue of the reorganisation of employment services detached from the negotiations on the structural reform (interview DK3), and separate political negotiations between the Ministry of Employment and the left-wing opposition took place until June 2004. Even though the government agreed to several major concessions on the organisational structure of the future jobcentres, no consensus was achieved. The concessions profoundly broke with the vision of unified employment services. Instead of one single model of jobcentre, the government agreed to subdivide jobcentres into three types. The first two models were to be run jointly by the state and municipalities, but, in line with the Dutch model, differed on the categories of benefit clients they had to deal with. The third type actually corresponded to the government's initial vision of unified jobcentres under the exclusive competence of the municipalities, at the exception that the status of this model was reduced to pilot-projects to be evaluated by 2010 (Christiansen and Klitgaard 2008, Bredgaard 2011).

In June 2004, the liberal-conservative government eventually concluded a political agreement with the Danish People's party. Interestingly, although the Social Democrats had left the negotiations, the agreement with the Danish People's Party maintained the concessions given to the Social Democrats. The main reason was that there was still uncertainty at that time about the definite size of municipalities and thus whether they would be large enough to take over employment activities for all categories of benefit claimants (Christiansen and Klitgaard 2008). In addition, it was hoped that the revised models of co-location could dilute resistance from social partners, as their cooperation was deemed important for an effective implementation of labour market policy (Interview DK3, Mailand 2008).

Eventually, the reform was passed by Parliament exactly one year later, in June 2005, after a couple of months of deliberations. It was adopted with a narrow majority, without the support of the Social Democrats. Compared to the political agreement of June 2004, the final law

introduced a few more changes in the models of jobcentres. The distinction between three models of jobcentres was abandoned, and only two models were retained. The first one, the most common model, was a joint model of co-location, in which staff from the state-run PES and local authority worked side by side in one common building but kept responsibilities for their traditional clients. The second model was the municipal model to be tested out in 14 municipalities until 2010. This is this municipal pilot project that the Social Democrats condemned most vigorously for being a ‘Trojan horse’ for a latter nationwide municipalisation of jobcentres (Christiansen and Klitgaard 2008: 32). Figure 6.3 summarises the administrative structure achieved after the 2005 jobcentre reform.

Figure 6.3: The organisational set-up of the Danish social security system in 2007



Sources: Based on illustrations from: Bredgaard and Larsen (2008), Hendeliowitz (2008)

Independently from the two models of jobcentres, the reform also ratified the changing number and role of regional labour market councils (4 Regional Employment Councils) and introduced new local labour market councils to perform advisory tasks, in which social partners were represented. Finally, the reform also introduced several instruments and tools to organise client intake process (such as profiling tools to classify jobseekers according to their employability) and evaluate the effects and results of jobcentres. The latter included for each jobcentre annual employment plans, performance reviews and benchmarks. The Ministry of Employment also gained more power to control employment-related activities and the decisions of front-line workers (Breidhal 2009, Jørgensen et al. 2009, Bredgaard 2011).

All in all, the jobcentre reform adopted in Summer of 2005 greatly departed from the initial plans of the government to integrate and unify employment services for all categories of unemployed people, irrespective of their status. Instead, the reform introduced more

complexity into the system as two models of integrated jobcentres now existed, one of them running under mixed lines of responsibility and a persisting internal split between the PES responsible for the insured unemployed and local authorities in charge of the non-insured (Bredgaard and Larsen 2008).

### ***From joint to municipal jobcentres***

The 2005 jobcentre reform came into force in January 2007, at the same time as the new municipal structure, which merged the previous 275 municipalities into 98 municipalities of more than 20'0000 inhabitants. The reform hence implied a major reorganisation within the municipalities. However, the general view is that the overall implementation process was smoother and less conflicted than expected (Local Government Denmark 2012). The delay between the adoption of the structural reform in 2005 and its coming into effect in 2007 left some time for Local Government Denmark to prepare the merger process and the changes associated with them (interview DK1). The introduction of jobcentres did not seem to pose any major problems either, even though tensions and conflicts of interests did exist and the quality of employment support was affected by the relocation in the new premises in the first months of implementation (Interview DK5, Eskelinen 2008). Front-line workers seemed to have been relatively compliant with the new system despite its overall low legitimacy among them. This was especially true for the new management and procedural regulations, which they nevertheless applied quite faithfully (Bredhal 2009, Bredgaard 2011: 772).

Overall, the Structural reform received relatively wide public attention throughout the negotiation phase, although attention was focused much more on the mergers of municipalities and reorganisation of regions than on the more technical changes in the division of responsibilities (see Jelkvist 2007). From that perspective, the jobcentre reform was not an exception, and its adoption and implementation went relatively unnoticed by the population, despite the high controversies it generated politically (interviews DK2, DK3, DK6).

The social partners' view of municipal pilot jobcentres as Trojan horses that opened the door to a nationwide municipalisation of jobcentres was not completely groundless. As it happened, in the negotiations over the 2009 state budget in autumn 2008, i.e. not even two years after the implementation of the joint jobcentre reform, the liberal-conservative government, supported by the Danish People's Party, decided to abandon the joint jobcentre model in favour of the municipal model. Consequently, since the summer 2009, the state-run part of the jobcentres has been abolished and its responsibility transferred to the municipalities. This decision has to be understood mostly as an aspiration of the liberal-conservative government to realise its initial ambition for a unified municipal-anchored jobcentre. It was indeed made without any prior public discussion or political consultation, and without any empirical evidence on the performance of the two models. The evaluation of the two models which had been planned in 2005 had not even started (Bredhal 2009, Bredgaard 2011). However, it has had important implications for the governance of employment policy, as it is now left to the municipalities to endorse the overall political

responsibility for employment services together with the financial responsibility for activating the insured unemployed (Bredgaard 2011).

## **6.6. Discussion**

In 2001, the liberal-conservative government came into office with a strong commitment to streamline the public sector and clean it up from unnecessary entities, and, in employment policy, an agenda that sought to reorient active labour market policy towards a more efficient, work-first approach and harmonise the activation system for the insured and non-insured unemployed.

The emergence of the issue of the integration of employment services was closely related to the activation policy agenda of the liberal-conservative government. Before its arrival in office, the integration of the two systems for the insured and non-insured unemployed had not even been an issue for the Social Democrat government which had concentrated its efforts on activating the insured unemployed. It is therefore only when the liberal-conservative government arrived in office and started to redirect employment efforts towards the non-insured unemployed that the idea really emerged on to the political debate. To be more precise, it is only in the context of the formulation of the reform 'More people into work', which aimed, among other things, to harmonise work-related rules and measures for the two categories of unemployed, that the government declared for the first time its interest in coupling this substantive harmonisation of rule with an administrative integration in the longer term.

What is more, the Fogh Rasmussen government came to office with a strong commitment to streamline the public sector and clean it up from unnecessary entities. From this point of view, it could be said that the integration of employment services for the two categories of unemployed people, which allowed both for eliminating overlapping administrative tasks and improving the access of non-insured unemployed to the competences and resources of the PES, made obviously good sense. And precisely, in the Minister of Employment's own words, there was a good deal of logic in integrating two administrative systems, which, until 2002, handled clients with similar problems differently (Interview DK3).

And yet, a careful analysis of the whole agenda-setting process of the issue of integrated jobcentres crucially reveals that the new integrated system was not designed solely on the basis of rational, objective considerations about the most efficient way of delivering employment services. Had it been the case, then the Danish government would have waited for the results of the pilot projects on cooperation, and the Ministry of Employment would have taken internal doubts and existing positive findings about the performance of PES and more seriously into account. But in reality, nobody waited for the end of pilot projects in 2005 to decide on the most appropriate way to organise integrated jobcentres, and in 2003, the Ministry of Employment delivered a report which is widely accused of being biased in favour of a municipalisation of employment services.



In fact, beyond purely ideological or practical considerations related to having all kinds of employment and social services delivered by local authorities, the case study illustrates that one cannot understand the early preference for a municipal model of integrated jobcentres without considering the more subtle institutional motivations pursued by the liberal-conservative government. Among them, one can obviously mention the desire of the government to reshuffle the whole management structure of labour market policy in order to strengthen the control of the central state over implementation in active labour market policy. In this respect, a municipalisation of employment services proved doubly attractive for the government. First, by allowing it to trade stricter control mechanisms for broader municipal responsibilities, it provided an opportunity to restrict the high degree of autonomy of local authorities in employment efforts. And second, it also offered a chance to tackle the corporatist management structure in active labour market policy, and more precisely, to curtail the decision-making powers of the tripartite regional labour market councils. In the past, regional councils had strongly favoured a human capital approach and, for this reason, could have constituted a powerful institutional obstacle to the effective implementation of the work-first approach promulgated in its 2002 'More people into work' reform (Bredgaard and Larsen 2008).

Looking this way, it could be rightly argued that institutional objectives are nothing more than another way of achieving substantive activation policy changes. Indeed, claiming that the government sought to reinforce its control over implementation in order to ensure compliance of delivery organisations with the new legislation on activation policy is very close to the traditional rational view of organisational reforms as being undertaken to bring administrative structures closer in line with new policy requirements.

Yet, in the Danish case, the municipalisation of employment services seems to have had also several other advantages that did not solely relate to an effective implementation of activation policies. A first one is, from a political point of view, the perceived possibility to show that, by curtailing the influence of regional councils, the government and ministry did not need trade unions or social partners to steer and perform well in labour market policy. Of course, it is difficult to give empirical proof of such political games, and it is true that the Minister of Employment had always been keen to stress that social partners had an important role to play in this field. However, such thoughts cannot be completely excluded, especially within the Ministry of Employment which did not want to reiterate the experience of being bypassed in the formulation of the 1998 labour market policy reform. Then, and although this did not come up in interviews, a second advantage of municipalisation could have been that it allowed for shifting blame for failures to local authorities (Interview DK2, Bundgaard and Vrangbaek 2007, Bredgaard and Larsen 2008, Bredgaard 2011). As a matter of fact, at his arrival in office in 2001, the Minister of Employment had been regularly pointed at by social partners for failures and mismatch problems in the PES. For him and also senior officials, a municipalisation therefore offered a two-side gain: to escape political responsibility for future labour market failure on the one hand, and to expand its strategic control over the implementation of labour market policies on the other. Altogether, and whatever the actual importance of these unavowed objectives was, the Danish case study makes it clear that the issue of integration of employment services has not solely been a matter of ensuring equal

treatment of unemployed people and finding the most efficient of organising employment. It was also, very early on, closely intertwined with considerations on possibilities of redesigning the distribution of responsibilities in labour market policy in favour of the central state.

Institutional changes have certainly constituted a major motivation for the government to reorganise the structure of employment services. However, even though they certainly contributed to make the issue of administrative integration very attractive, it is doubtful that the prospects of institutional gains to be made, combined with activation policy objectives, would have been persuasive enough to convince the government of reorganising employment services as rapidly as it did. Given its potential harmful consequences on the role of social partners in labour market policy, it was a very risky reform that effectively led to virulent opposition from the social partners and Social Democrats. And in fact, in 2002, when unveiling its employment reform agenda, the government was reluctant to unveil any concrete plans for an organisational integration of employment services.

In this respect, the structural reform and concomitant political negotiations with local authorities very much acted as a window of opportunity, which offered the government a tangible reason for rapidly putting the issue of a municipalisation of employment services onto its reform agenda. In this sense, it can be argued that political considerations and trade-offs in the context of the structural reform decisively triggered the agenda setting process of integrated employment services. Although the structural reform has little to do with electoral or institutional objectives as it had been predicted in the theoretical argument, this nevertheless lends support to the thesis that it is only when windows of opportunities open in adjacent areas and governments can see direct gains to be made from organisational reforms that these latter can get high onto the governmental agenda.

Finally, while political considerations were central to the agenda-setting of integrated employment services in Denmark, it is worth noting that the reform has never been used as an electoral instrument intended to gain the support of the electorate. It is certainly true that when the liberal-conservative government arrived in office, the pressures it faced to keep its pro-welfare promises and perform as well as the Social Democrats in labour market policy positively contributed to the decision to direct reform efforts on the activation of the non-insured unemployed. In this respect, it is interesting to note that the government initially framed the issue of integration in this direction, with strong emphasis put on positively connoted notions like equal treatment of all beneficiaries, and individualised, un-bureaucratic and cost-efficient services.

All these positive notions could have been later used by the Liberal-Conservative government to show its commitment and ability to renew labour market policy in a way that broadly built on the Social-Democratic heritage. However, this has never been the case. In 2004, the popularity of the liberal-conservative government had fallen considerably, due among other things to a slowdown in economy and rising unemployment (The Economist 2004, 18 March 2004). Yet, in his parliamentary opening speech of October 2004, i.e. a couple of months before the 2005 general election, the PM Fogh Rasmussen settled for highlighting the temporary character of the economic downturn, and the overall good situation of the Danish economy (Prime Minister's Office 2004). On the side of the achievements of his government,

he stressed his positive records on the reduction of the public debt, public sector growth, and the welfare improvements and tax freeze he had successfully pursued during his first term in office. The agreement signed on the structural reform also figured prominently in his discourse, which he qualified of the largest and most important reform of the Danish public sector for many decades (Prime Minister's Office 2004). Yet, neither the 2002 'More people into work' reform, nor the creation of jobcentres were mentioned.

There can be several reasons for this. First, the jobcentre reform was still to be passed by Parliament in 2005, but at that stage, it was already clear that the initial vision of fully integrated jobcentres run by local authorities had faded away in the negotiations with the Social Democrats. Secondly, politically, the reform proved very controversial, and the risk could have been high that, if raised on to the public debate, the Social Democratic Party would seize up the opportunity to attack the government for its relatively low employment success and its attempts at retrenchment in that policy field. Indeed, in autumn 2003, the government announced its plans for lowering unemployment benefits. In the face of the massive objections from all political sides, the government eventually withdrew its plans (Larsen and Mailand 2007: 110). Adding to that the shift away from training and education measures within the 2002 'More people into work' reform and the municipalisation of employment policy, this made a lot of controversial elements in the area of labour market policy that the positive rhetoric of individualised services and equal treatment of all beneficiaries could not alone counter-balance. Finally, the jobcentre reform remained a technical reform, which attracts only limited interest from voters, unless coupled with substantive policy changes like in Germany or being of such a large scale that it affects all citizens like the structural reform.

## **7. SWITZERLAND: PRAGMATIC INTER-AGENCY COOPERATION**

Unlike the three other countries, Switzerland has not adopted any comprehensive organisational reforms for integrated services delivery over the past twenty years, but instead tried to develop alternative, more pragmatic forms of coordination through improved collaboration in frontline practices. This does not mean that Switzerland has been comparatively less severely confronted with fragmentation-induced problems. Like most other European countries, the Swiss welfare state displays a strongly fragmented benefit system for jobless people of working age, each income support benefit being governed by different rules, legislation and funding structures. But fragmentation is perhaps even more pronounced as regards its organisational structure. It is true that if one looks at how responsibilities are shared between the central state, social partners and lower tiers of government, the Swiss welfare state resembles its Danish counterpart, with social partners and lower tiers of government assuming important functions in the delivery of unemployment benefits and social assistance. What distinguishes Switzerland, however, is the unusually high regulatory autonomy of the Swiss cantons in organising and implementing social assistance, and the high number of organisations involved in the provision of cash benefits and employment services. Whereas the Danish municipalities have always functioned as one-stop providers of all cash benefits except for unemployment insurance, in Switzerland almost every benefit scheme is delivered by a separate organisation. Leaning on this organisational fragmentation, activation policies have developed in the most important benefit schemes for jobless people largely independently from each other. This parallel introduction of activation policy formed the backdrop for the emergence of the coordination issue onto the national political arena.

During the 2000s, the issue of coordination has regularly arisen in political debates at the federal level. In particular, proponents of greater coordination raised the need for a simplification of access to services and, in line with the existence of parallel activation systems, the need for tailored rather than status-based employment support. However, like in Germany, the debate on coordination in Switzerland has always been closely connected to the vertical distribution of responsibility and the problem of cost-shifting practices between federal and lower levels of government. In this respect, the Cantons and municipalities in charge of social assistance have been critical actors in pushing for the two related issues of coordination and competence redefinition for social assistance on the federal political scene. Yet, their efforts have met with little success so far, as concrete initiatives in this direction have remained at the level of inter-agency cooperation, leaving the prevailing organisational structure largely untouched.

As mentioned in the methodological discussion, Switzerland represents a negative case in this study. Therefore, the point of this chapter is not so much to explain why the Swiss government embarked on an organisational reform, but why it did not do so despite frequent calls for reform. The analysis highlights in particular the absence of strong political and financial incentives for the government to reorganise the social security system, as well as the

absence of any perceived electoral gains to be made from a reform that would likely take many years (if not decades) to be implemented, while going unnoticed by the population.

This chapter again begins with a description of the Swiss political system and social security system for working-age people. The focus on the social security system is restricted to the three most important benefit schemes in terms of benefit coverage, namely unemployment insurance, invalidity insurance and social assistance. This is not only because they constitute the core of the Swiss social security system for working-age people in Switzerland, but because all three were at the centre of discussions around coordination. The chapter will then discuss the most relevant proposals and initiatives undertaken in the 1990s and in the 2000s in order to bring greater unity within the Swiss social security system.

### **7.1. The Swiss political system: low prospects for radical reform**

The Swiss political system is traditionally depicted as a prime example of a consensual mode of policy-making, which, by prioritising power sharing and the inclusion of minorities, tends to favour broad compromises over radical solutions. In all decision-making arenas at the federal level, decision-making is primarily dominated by the collective search for solutions that maximise political support across the political spectrum, rather than adversarial competition between the governing majority and the opposition.

Several features of the Swiss political system contribute to the diffusion of political power and favour compromise solutions. Among them, one can cite the multi-party system, in which no party approaches a majority status and no reform can be passed without finding a sufficient coalition, the existence of a powerful second chamber of Parliament representing the Cantons and whose approval is systematically required for any reform to be passed, and a strong direct democracy, which gives citizens various instruments to intervene in the policy-making process. For instance, any change in the Federal Constitution, which notably determines the division of responsibility between the federal state and the Cantons, is subjected to popular vote, which makes such changes particularly difficult to adopt (Linder 2007: 110). The instrument of ‘popular initiative’ then allows citizens to demand amendments to the Constitution, which the government and parliament are forced to examine.

Another powerful instrument of the direct democracy is the optional referendum, which enables opponents of a parliamentary decision to request a popular vote on the issue in question. The persistent thread of a referendum constitutes a major driver for the Swiss consensual mode of decision-making, as it acts as a ‘negotiation weapon’ (Sciarini 2007: 470) that forces the government and Parliament to take potentially divergent interests into account from the very beginning of the decision-making process. Altogether, the features that characterise the Swiss political system grant potential opponents of a reform proposal strong veto powers. Either because of their effective use or because of anticipation effects from the government, they tend to make the agenda-setting and successful adoption of radical unilateral reforms unlikely (Immergut 1992a, Tsebelis 1995, Bonoli 2000).

These features suggest important restrictions to the Swiss government's capacity to get radical reforms passed. However, one must also acknowledge that the Swiss government (the Federal Council) is itself a body not prone to initiate and push for radical and innovative reforms (Klöti 2007:162). While some have argued that the Swiss government possesses relatively strong agenda-setting powers when it comes to control of the entire policy-making process (Schwarz et al. 2008), it is much less the case when we consider agenda-setting as the ability to initiate comprehensive reforms. There are several reasons for this. The first and most obvious one is that, by its composition, the Swiss government itself functions a place for consensus building rather than a place for enforcing a political programme (Lijphart 1999: 34). Indeed, it is a joint government (Lüthi 2007: 124)<sup>58</sup> composed of seven members from the four largest political parties. This means that any new reform proposal must first receive the approval of the majority of its members before being submitted to Parliament. What is more, once an agreement is found, the principle of collegiality obliges each member to support it, irrespective of her political opinion. This makes it difficult to associate the success or failure of a reform with a particular political party (Obinger 1998a: 244, Bonoli 2000).

A second element that makes the Swiss government less prone to radical reform programmes pertains to its mode of election. The Swiss government does not hold its mandate from popular elections. Instead, it is elected by Parliament for a four-year period, and cannot be dismissed by a vote of confidence during this time. Moreover, the four-year terms have little influence on the careers of governments' members as re-election is the norm (Klöti 2007: 148). Hence, for members of the Swiss government, the prospect of electoral rewards, or conversely sanctions through non-re-election or forced resignation for enduring inaction or controversial reforms are particularly low. The composition of the government did not change from 1959, when the 'magic formula' was introduced<sup>59</sup>, until 2003 when the Swiss People's Party gained a second seat to reflect its new position as the largest party in Parliament. Finally, the chronic work overload of the Swiss government's members, who cumulate the function of head of state and head of Ministries, is another aspect worth mentioning, which tends to prevent the Federal Council from tackling fundamental issues but instead favours reactive and minimal solutions (Kriesi 1995, Klöti 2007: 162-163).

The literature on agenda-setting or radical welfare state reforms generally acknowledges that elections and changes in governments' party composition are one important source for the emergence of new policy issues and agendas (Kingdon 1995, Jones and Baumgartner 2012, Hemerijck 2013). However, in the Swiss case, due to its consensual and stable nature, the federal government objectively faces very few incentives to embrace and push for radical changes. Arguably, a fundamental strength of such a government model could be its greater ability to produce long-term and global reform strategies for the development of the Swiss welfare state. In 2011, a report on the steering capacity of the federal government in this field came to an overall positive assessment on its capacity to identify problems and formulate appropriate solutions. However, the report also stressed several weaknesses, like the absence

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<sup>58</sup> According to her, the Federal Council is not a coalition government as the four parties are not committed to a common political programme.

<sup>59</sup> According to the informal rule of the magic formula, the Liberal Party, Christian-Democratic Party and Social Democratic Party were to receive each two seats, which the Swiss People's Party was given one seat.

of any long-term and global strategic vision, the low salience of the welfare state issues in debates among government members, and a tendency towards reactive rather than forward-looking policy-making (CPA 2011). None of the major welfare state innovations in the past ten years, such as the introduction of paid maternity leave or universal family allowances were initiated by the federal government (CPA 2011: 28). In fact, it appears that popular initiatives in Switzerland constitute one of the most important channels for raising new issues and radical changes onto the national political agenda. Even though only about 10 per cent of initiatives are actually accepted by popular vote, failed popular initiatives may later be taken up by Parliament or the federal government as objects of future legislation (Linder 2007: 111-112). As we will see later, the Parliament is also a channel for the emergence of new reform proposals, as it has the possibility of forcing the government to tackle an issue via motions or to initiate and prepare reform bills on its own by means of parliamentary initiatives (Schwarz et al. 2008).

## **7.2. The Swiss social security system for people of working age**

The development of the Swiss welfare state has never been the result of a master plan. Instead, it grew incrementally out of pre-existing cantonal and private regimes (Häusermann 2010b: 208), with each national income support scheme following its own dynamics but introduced on average much later than in most other European countries. While the shift to national social protection schemes occurred at the end of the 19<sup>th</sup> Century in most European countries, this only happened in the 1940s in Switzerland (Cattacin 2006). Even by the end of the 20<sup>th</sup> Century not all parts of the welfare state were covered by a compulsory federal programme. For instance, no compulsory federal unemployment insurance existed until 1982. It is now widely common to attribute the late development of the Swiss welfare state to the Swiss political system, which multiplies institutional hurdles to a quick policy-making process (e.g. Obinger 1998a, 1998b, Bonoli 1999, 2000, Armingeon 2001, Bonoli 2001). But other factors can be found in a long-lasting situation of full employment for the major part of the 20<sup>th</sup> century, resulting in comparatively low economic pressures (Armingeon 2001), but also in trade unions initially opposing public social security schemes in order to protect union-run social security programmes and collective agreements (Trampusch 2010, Tabin and Togni 2013).

For a long time, the Swiss welfare state consequently displayed many characteristics of a liberal welfare regime. In line with the fact that the national social protection system still had important loopholes, welfare expenditure at the federal level remained low and private actors as well as cantonal and municipal actors still enjoyed a prominent role in the organisation and financing of many schemes. Nevertheless, wherever they were introduced, compulsory federal programmes took the shape of insurance-based programmes, principally financed by employees' and employers' contributions and offering generous earnings-related benefits.

In the 1970s and 1980s, the Swiss welfare state actually experienced a phase of relative expansion. While the majority of European countries were experiencing economic recessions

and attempting a retrenchment of their welfare states, new schemes such as unemployment insurance were introduced in Switzerland and others expanded to cover new categories of beneficiaries. It was during this time period that Switzerland joined other countries with Continental type welfare states, although the Swiss welfare state was still marked by important liberal features (Häusermann 2010b).

### ***A three-fold social protection system for jobless people***

Today, the Swiss welfare state is composed of ten insurance-based programmes regulated at federal level. Among them, unemployment insurance and disability insurance act as the two most important schemes for jobless people of working age. These two insurance-based income support schemes are complemented by means-tested social assistance schemes provided by the Cantons.

As already mentioned, a mandatory *unemployment insurance* scheme was introduced fairly lately in Switzerland. As a typical insurance-based scheme, it is essentially funded out of employees' and employers' contributions, with temporary public contributions in years of high unemployment. For people having sufficient contribution records, it provides fairly generous earning-related benefits (80 vs 70 per cent of previous income for people with or without dependent children) for a maximum period of 24 months for those above 55 years old (Champion Cyrielle 2011: 141). At its creation, unemployment insurance had been conceived as a relatively inclusive system, contribution exemptions existed for some categories of jobseekers like young people having completed their education or housewives with children. Another worth mentioning element is that already in the 1980s unemployment insurance recipients could have access to a relatively large set of training and work experiences programmes. However, due to the almost inexistent unemployment, their effective use remained sparse until the mid-1990s (OECD 1996).

Organisationally, benefit payment and the provision of employment services have always been kept separately, mainly to preserve the role that social partners exerted in that field previous to the introduction of a federal mandatory scheme in the early 1980s (Tabin and Togni 2013). As a result, benefit payment is performed by a variety of unemployment insurance funds managed either by trade unions, employers or the Cantons and which the unemployed can choose freely to register with. Next to unemployment insurance funds responsible for benefit payment, since 1995, unemployment insurance recipients must sign on at regional PES (*Offices régionaux de Placement- ORP*) which monitor job search activities and implement active labour market policies. Like its German and Danish counterparts before organisational reforms, regional PES offer their job placement services to any jobseeker, but generally reserve the allocation of active labour market programmes for jobseekers entitled to unemployment insurance<sup>60</sup>.

Disability insurance constitutes a second important insurance-based income support benefits for jobless people of working age, actually the largest in terms of benefit caseloads and social

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<sup>60</sup> The federal law permits a few exceptions, notably for people who have exhausted their entitlement for more than two years, and some Cantons have opened their regional PES to job-ready social assistance claimants.



spending (see figure 7.1). Built upon the three-pillar system that also characterises the Swiss pension system, the *federal disability insurance scheme* is close to a universal benefit, eligibility being only marginally conditional upon contribution requirements. What is more, albeit formally earnings-related, a very low maximum benefit ceiling makes disability insurance close to a flat-rate benefit scheme<sup>61</sup>. Similar to unemployment insurance, the principle of reintegration has formally been a fundamental component of disability insurance since its creation in 1960. Although the application of this principle has long remained very limited, disability insurance has always benefited from generous labour market and training programmes to facilitate vocational rehabilitation of individual disabled people (Bütler and Gentinetta 2007, Champion Cyrielle 2011). Organisationally, benefit claims, benefit payment and rehabilitation support is handled by specific disability insurance offices (*Offices AI*) organised at Cantonal level (see table 7.1).

**Table 7.1: Structure and principal actors of the three main social security schemes for working-age people**

	<b>UNEMPLOYMENT INSURANCE</b>	<b>DISABILITY INSURANCE</b>	<b>SOCIAL ASSISTANCE</b>
<b>Federal level</b>	Federal Department of Economic Affairs	Federal Department of Home Affairs	-
	State Secretariat for Economic Affairs (SECO)	Federal Social Insurance Office (OFAS)	-
<b>Intercantonal level</b>	-	-	- Conference of Cantonal Directors of Social Affairs (CDAS/SODK) - Swiss Conference for Social Assistance (CSIAS/SKOS)
<b>Cantonal level</b>	- Cantonal and social-partner-run unemployment funds - Regional PES (ORP/RAV)	Cantonal Disability Offices	Cantonal Departments of Social Affairs  Cantonal, regional or municipal social assistance offices
<b>Municipal level</b>	-	-	

Source: Adaptation from Champion and Bonoli (2013) and OFAS (2011b)

Finally, social assistance provides a social safety net of last resort for those who are not entitled to any other insurance-based programme or whose income is insufficient to meet their needs. In this respect, social assistance acts as a second tier scheme for the unemployed who have exhausted their entitlement to unemployment insurance. In Switzerland, social assistance

<sup>61</sup> Occupational second-pillar pensions or means-tested specific supplementary benefits constitute two ways to top up public disability insurance benefits.

is the sole responsibility of the Cantons, the result of which is that 26 different social assistance schemes exist in Switzerland. This heterogeneity is reinforced by the fact that in many Cantons, especially the German-speaking ones, the Canton actually delegates implementation and funding to municipalities (see table 7.1). From this perspective, the administrative organisation of social assistance offices varies from one canton to another, ranging from the unprofessional provision by elected local council members<sup>62</sup> to fully ‘cantonised’ offices (Fluder and Stremlow 1999).

If one had to assess the degree of fragmentation of the Swiss welfare state, one could say that three particularities contribute to make it particularly fragmented. First is the fact that each benefit scheme is governed by largely different eligibility, generosity and funding rules. But compared to the countries reviewed in this study, this is not so much specific to Switzerland. What is much more specific, in contrast, is the relatively high number of organisations involved in the provision of cash benefits and employment services. In fact, as a whole, four delivery organisations share the administration of the three income support benefits examined in this study, and the provision of employment services.

Finally, in sharp contrast to many other countries, even federalist ones, no regulatory framework for social assistance exists at the Swiss federal level. The role of the Confederation in this field is limited to oblige the Cantons to establish such schemes. Social assistance is therefore the sole responsibility of the cantons and municipalities. The result is that the organisation, funding and implementation of social assistance may vary substantially across Cantons and even across municipalities within a specific Canton. However, in practice, a certain homogenization is achieved through guidelines outlined by the Swiss Conference for Social Assistance (CSIAS /SKOS), which is a non-political association bringing together representatives of all three tiers of government and of relevant private organisations (Champion Cyrielle 2011). The guidelines, which provide recommendations with respect to procedures and benefit levels, are not binding as such, but nearly all Cantons apply them.

### ***The economic downturn in the 1990s: new era, new challenges***

The fragmentation of the Swiss welfare state was never considered a major problem while Switzerland exhibited full employment with comparatively very low levels of unemployment. And indeed, until the 1990s, open unemployment never really exceeded one per cent of the workforce, and claims for social assistance remained likewise very marginal<sup>63</sup>.

However, the economic crisis that hit Switzerland in the early 1990s marked a rupture with this exceptional situation. Between 1991 and 1997, the unemployment rate rose steadily from 1.8 to 4.2 per cent of the workforce (OFS, rates according to the ILO definition, 2011). Since then, even in periods of economic growth and decreasing unemployment, it has never returned to the levels experienced up to the end of the 1980s. Compared with the levels approximating

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<sup>62</sup> This organisational model tends, however, to disappear.

<sup>63</sup> Besides the good economic situation, there is another reason for that. It relates to the traditional strong stigma associated with social assistance as in small municipalities, the determination of eligibility for social assistance is often performed by municipal councillors (Obinger 1999)

10 per cent of the workforce in the three other countries over the same time period, Switzerland clearly still enjoyed a privileged position. Yet, the abrupt rise of unemployment, starting from a negligible base, provoked a strong general feeling that Switzerland was in crisis.

The unprecedented rise in unemployment in the first half of the 1990s quickly translated to a similarly steady increase in the number of people receiving social assistance or disability benefits. Unlike unemployment that has tended to fluctuate with economic cycles, the rise in social assistance and disability insurance caseloads has been much less dependent on economic conjunctures (for an image of the broad trend over the past 20 years, see figure 7.1). Coupled with emerging public budget deficits, this development made it even clearer that problems on the Swiss labour market had become structural and would not resolve themselves on their own (Gärtner and Flückiger 2005: 17).

This rapid change in the socio-economic conditions marked the starting point of a reform process that affected all three benefit schemes. While reforms of the welfare state until the 1980s were most often synonymous with coverage expansion or the introduction of new federal schemes, they became much more synonymous with retrenchment from the 1990s onwards (Bonoli and Mach 2000). In unemployment insurance, the sudden rise in benefit claimants forced the government to take measures to restrict benefit conditions and levels of unemployment benefits by means of emergency legislation in 1993. This was soon followed by a comprehensive revision in 1995 and, later on, by two additional reforms in 2002 and 2010 responding to new economic recessions.

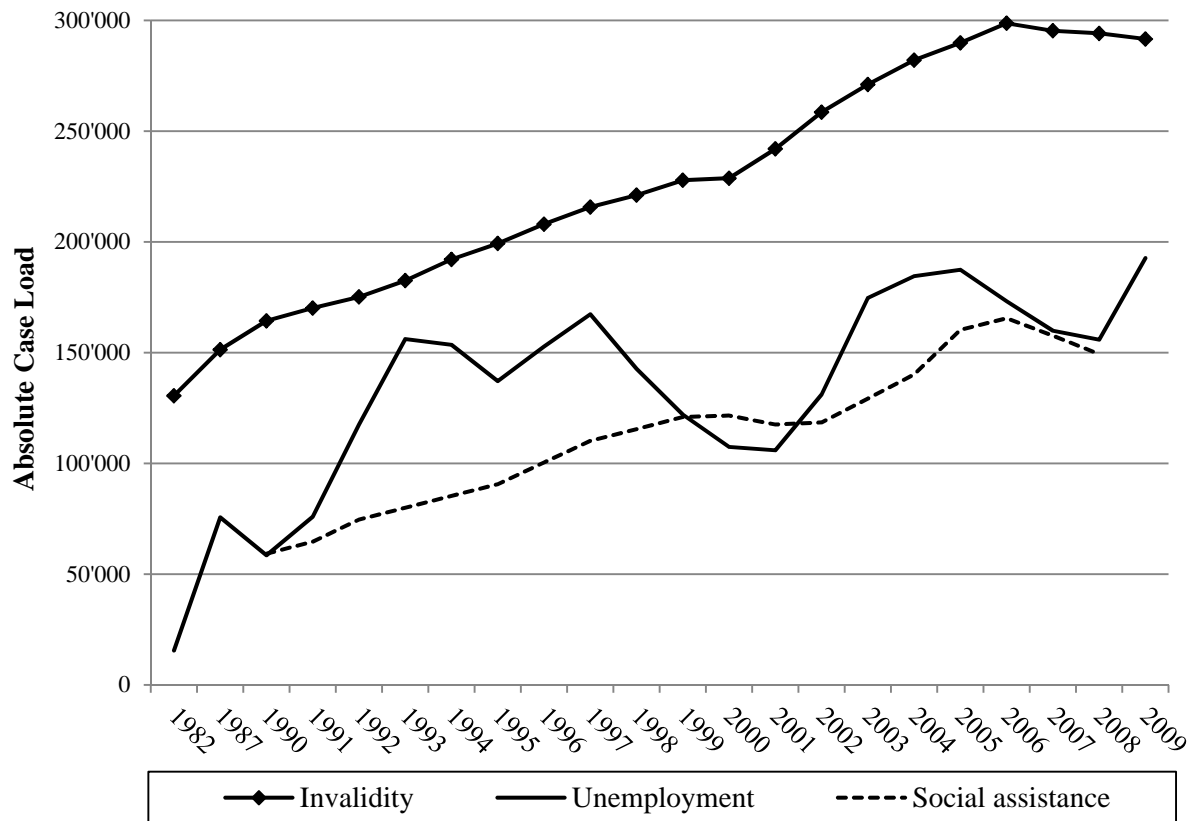
Reforms took place in social assistance, too. The guidelines set out by the CSIAS/SKOS were first revised in 1998 and a second time in 2005. During the 1990s, some cantons introduced unemployment assistance schemes for those unemployed having exhausted their unemployment benefits to prevent them having to claim social assistance. This situation has now dwindled, since the use of such schemes as instruments to help the unemployed re-qualify for unemployment insurance after a contributory employment measure has received harsh criticism and the possibility for requalification abolished in the most recent unemployment insurance reform.

In disability insurance, the reform process only really started in the early 2000s despite steadily growing budget deficits since the beginning of the 1990s. Reasons for the late start can be seen, on the one hand, in the initial use of alternative mechanisms to absorb deficits (such as financial transfers from other insurance-based schemes) and, on the other, the rejection of a first reform bill in popular vote in 1999 (Gärtner and Flückiger 2005, Bütler and Gentinetta 2007). However, once on track, reforms rapidly followed one another. Following its rejection in 1999, the fourth revision was eventually adopted in 2003. The fifth revision was then voted in in 2007, while a first package of the 6<sup>th</sup> revision was adopted by Parliament in early 2011<sup>64</sup>.

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<sup>64</sup> The second package, which had been in discussion in Parliament since 2011, was definitively abandoned in May of this year (2013).

**Figure 7.1: The development of benefit caseloads in Switzerland, 1990-2009**



Sources: Champion (2011: 126)

All these reforms generally pursued two broad objectives: cost containment and a reorientation towards activation (Häusermann 2010b, Bonoli and Häusermann 2011). Cost containment has particularly dominated reforms in unemployment insurance and disability insurance. It took the shape of restricted access to benefit entitlement, shorter benefit duration, especially for those beneficiaries without or with weak contribution records in the case of unemployment insurance, or changes in benefit levels in the case of disability insurance. In contrast, benefit levels in unemployment insurance remained largely unchanged after a proposal in that direction was rejected in popular vote in 1997 (Bonoli 1999). The same holds basically true for social assistance as, given its function of a last-resort safety net providing a minimum income for people in need, attempts at lowering benefit levels have always been controversial.

In parallel, the development of activation and the promotion of employment have become a key objectives in all three benefit schemes over the past 20 years, even though the pace and intensity of the reorientation vary significantly from one scheme to another (Bertozzi et al. 2008). Unemployment insurance was the first one to take that turn in 1995, when the portfolio of active labour market programmes was expanded, modern regional Public Employment Services (ORP/RAV) established, and jobseekers' obligations and requirements were tightened. Following that reform, the Cantons gradually introduced activation measures into their social assistance schemes. This process was reflected in the 1998 revision of the

CSIAS/SKOS guidelines, which for the first time encouraged the Cantons to develop individual integration plans to be signed by the beneficiary and his case worker. Subsequently, activation was reinforced by the introduction of earnings disregards<sup>65</sup> for recipients taking up work and financial supplements when participating in labour market programmes. However, there exist important variations across the Cantons in the extent to which they developed activation measures (Merrien 2001), and activation in social assistance seems to remain less developed and systematically applied than in unemployment insurance (Pfister 2009, Lindenmeyer and Walker 2010). An indication of this can be seen in the fact that activation in cantonal social assistance schemes still aims at social integration as much as labour market integration.

Disability insurance was the last scheme to turn to more pro-active employment orientation. Yet, over the past ten years, important steps have also been taken in that direction. Alongside measures aimed at restricting access to disability pensions, specialised job placement services for disabled people were established within cantonal disability offices, and a variety of new measures were introduced to help workers with health problems keep their jobs (early detection and intervention measures), and to smooth the transition back into employment for long-term benefit recipients who wished to do so.

### **7.3. The 1990s: The emergence of the fragmentation problem**

In the early 1990s, the unprecedented rise in benefit caseloads and the initial discussions around unemployment insurance reforms went accompanied by the first criticisms of the fragmentation of the multi-tiered fragmentation of the Swiss welfare state for jobless people. Most often voiced by experts from social assistance associations and from the academic community, the criticisms pointed, above all, to the following problems:

- The increasing complexity of the system that made it very difficult to develop an overview of the system.
- The fragmented approach that dominated the on-going reform process, according to which each particular benefit scheme was revised without taking into consideration the consequences that it had on other benefit schemes or without looking at what is done in other benefit schemes (Interview CH5, Cattacin 1996).
- The incoherence between the increasing importance of social assistance in terms of benefit caseloads and the little consideration it received at federal level (Höpflinger and Wyss 1994, CSIAS 1999). Because social assistance was regulated and funded at the cantonal level, it had so far attracted only minor interest in federal political debates on social protection (interview CH5). Yet, the growing number of jobless people who had to rely on social assistance on the ground they were not covered any more by federal insurance-based programmes, and more particularly unemployment insurance,

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<sup>65</sup> Earning disregards are the amount of earnings that claimants taking up work can keep and which are not taken into account when assessing benefit entitlement. Their aim is to make it financially rewarding to take up work.

led cantonal political actors begin a call for a revalorisation of the role of social assistance in the Swiss social protection system. In this context the first discussions of a federal basic law on social assistance took place (see below).

Yet, those criticisms against the fragmentation of the Swiss welfare state only marginally filtered into the mainstream political debates at federal level, and remained largely dominated by the economic crisis and the issue of securing the financial equilibrium of federal insurance-based programmes.

In 1996-97, the publication of two inter-departmental reports on the financial evolution of social insurance schemes (IDA-FiSO 1 and 2) was emblematic of the preponderance of financial issues in the political debate. Their first objective was to provide a global analysis of the long-term financial needs of the various schemes and evaluate the economic and social consequences of some targeted measures of expansion and retrenchment (IDA Fiso 2 1997: 147). Hence, the focus remained first and foremost on the financial health of insurance-based programmes. Moreover, while one of the initial goals had been to achieve a global vision of the evolution of income support schemes, this goal had been in practice seriously undermined by separate prospective analyses for each benefit schemes which left aside considerations of interactions and cost transfers between the different schemes. Finally, impacts on social assistance remained of only marginal consideration (Rossini 1999).

### ***First initiatives towards greater coordination***

However, it was at this time that the first initiatives and discussions developed within Parliament, denoting a nascent emergence of the issue of the coherence and coordination of the Swiss welfare state on the federal political debate. These discussions, however, remained circumscribed to the small circle of the expert community in Parliament, and essentially took place at the margins of the mainstream political discourse focused on the long-term financial viability of insurance-based income support schemes.

Among them, one can mention the first concrete discussions on the position of social assistance within the Swiss welfare state system, which were carried out by the Social Security Commission of the National Council<sup>66</sup> (CSSS-CN). In 1993, the commission was given the mandate to examine the possibility of introducing a constitutional social right to a minimum subsistence wage in Switzerland. As the issue was intrinsically related to the receipt of social assistance, the discussion soon deviated to the broader issue of how to achieve greater coordination between federal insurance-based programmes and cantonal and municipal social assistance in the context of growing social assistance caseloads. One possibility that emerged from the discussions was the introduction of a framework federal law on social assistance in order to give the federal state basic regulatory responsibility for social assistance and lay the foundation for a greater coordination of social assistance with insurance-based benefit schemes at federal level. In the aftermath, a preliminary draft of a federal law on social assistance was prepared, but on account of scheduling grounds,

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<sup>66</sup> The National Council represents the first chamber of Swiss Parliament, while the 'Council of States' acts as the second chamber and represents the Cantons

discussions were eventually dropped in 2000 without any concrete decision being made. However, the commission was the first parliamentary entity to seriously discuss the issue of poverty and social assistance at federal level. From this point of view, it prompted a series of subsequent calls and discussions in Parliament for a more serious consideration of social assistance at federal level (Interview CH1, Banque de données des objets parlementaires 1997, CSSS-CN 2006)

Quite independently from the discussion within the Social Security Commission, the issue of a greater horizontal coordination between the benefit schemes for jobless people equally emerged within the Commission on Economic Affairs, which represents the counterpart to the Social Security Commission, but for labour market issues. In 1999, taking the situation of the long-term unemployed and the few active labour market programmes available to this category of unemployed as a point of departure, the commission embarked on a debate on the establishment of a common activation strategy for the various categories of benefit claimants (Interview CH7, SECO 2009). Two years later, in 2001, it eventually published its conclusions, which broadly recommended the development of local initiatives of inter-agency collaboration between PES, social assistance and disability offices with respect to employment-related services (Luisier 2001).

This report paved the way for the later development and institutionalisation of inter-agency cooperation in the 2000s (SECO 2009). In the aftermath, the Conference of Cantonal Ministers of Social Affairs (CDAS/SODK)<sup>67</sup> issued a framework paper that encouraged the Cantons to develop projects of inter-agency cooperation (CDEP and CDAS 2001). As one senior official in the federal administration later noted:

*“The recommendations made (...) in 2001 to promote inter-agency cooperation gave the Cantons an important political signal. This political support is a resourceful condition to translate the potential of optimisation recognised by the delivery agencies into practice”* (Luginbühl 2003)

To summarise, the 1990s witnessed the first signs of a political recognition of the problem of the fragmentation of the Swiss welfare state in the new context of structural unemployment. They largely emerged from the rise of benefit caseloads in unemployment insurance and social assistance, but were also triggered by the reorientation towards activation that was initiated in the two schemes in the mid-1990s. At that time, two types of reforms were discussed in connection with the issue of the fragmentation of the Swiss welfare state. One solution was to transfer some responsibility for social assistance to the federal state so as to set it on equal footing with federal insurance-based schemes and make coordination between the three benefit schemes easier at the federal level; another solution was the establishment of local projects of inter-agency cooperation in order to coordinate activation policies for the various categories of jobless benefit recipients.

However, it would be an exaggeration to claim that those discussions were symptomatic of a paradigm shift in the mainstream political debate on the welfare state. In Parliament, they

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<sup>67</sup> The Conference brings together Cantonal Ministers of Social Affairs in order to coordinate social policies developed at cantonal level and promote the interests of the Cantons vis-à-vis the Federal state in this field.

never really challenged the dominant perspective of securing financial stability that was actively promoted by the centre-right parties and implicitly endorsed by the left<sup>68</sup>. In fact, their impact did not extend far beyond the circles of policy experts within Parliament and federal administration. In this respect, it is interesting to note that the federal government never played a major role in the initiation of these discussions nor actively took part in the debate.

#### **7.4. The 2000s: Towards an institutionalisation of inter-agency cooperation**

The 2001 framework paper for inter-agency cooperation marked the starting point of a long series of national and cantonal inter-agency coordination projects. It set out the broad principles of inter-agency cooperation. According to the paper, inter-agency cooperation was defined as the development of common strategies between the regional PES and local organisations delivering social assistance and disability insurance in order to offer better support to beneficiaries cumulating several disadvantages (for instance, health or social problems in addition to unemployment). Although originating from discussions within the community of policy experts largely disconnected from experiences made abroad, the objectives set out in the paper were broadly similar to those commonly put forward to justify organisational reforms in neighbouring European countries. They included the improvement of information exchanges between organisations, the development of more user-friendly administrative procedures, and a shift away from a status- to a needs-based employment-related support in order to facilitate the rapid return of jobseekers to gainful employment.

To achieve these objectives, collaboration was to take place at various levels, for example assessments of jobseekers' employability, allocation of appropriate labour market programmes from the various portfolios at disposal, or in contact and placement activities with employers (CDEP and CDAS 2001). Hence, inter-agency cooperation was not only supposed to facilitate communication, but also to pool the resources and competences of each organisation, including regarding their respective portfolios of social and labour market programmes (Membres du groupe national de coordination CII 2004, Champion Céline 2006).

Following the 2001 framework paper, several Cantons launched their own projects of inter-agency cooperation. A national steering group was set up in order to facilitate exchanges of experiences between the Cantons, but due to the very broad character of the recommendations issues, a large variety of projects of inter-agency cooperation developed across the Cantons. Some projects involved only two delivery agencies (for example the regional PES and social assistance offices), some focused on administrative procedures, while others concentrated on employment-related support (Membres du groupe national de coordination CII 2004).

Importantly, inter-agency cooperation was, already at that point in time, conceived of as a very pragmatic form of coordination (Gächter 2006). The intention was to tackle the

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<sup>68</sup> Debates on the unemployment insurance reform in the 1990s show that conflicts between the left and the bourgeois parties were less about the need to secure financial equilibrium than about the means to achieve it.



fragmentation of the Swiss social protection system for jobless people by establishing a flexible type of coordination, carried out mainly by front-line staff from the three organisations delivering employment-related support, and leaving the existing organisational structure largely untouched.

One can see two main reasons for this choice, which are currently still widely praised by federal authorities and federal administration. The first and most explicit one relates to the desire not to make the organisational structure more complex by adding, for instance a new one-stop organisation specialising in employment services for the long-term unemployed (Interviews CH7, CH8, Membres du groupe national de coordination CII 2004). But a second, more political reason pertains to the dominant political reluctance at federal level to engage in a more radical organisational reform that would first require giving the federal state some regulatory responsibility for the provision of social assistance. Given that the federal state is legally not entitled to intervene in the organisation of social assistance in whatever way, promoting a form of coordination that is carried out by Cantons and existing local delivery organisations therefore has the great advantage for the federal state to bypass the issue of first having to transfer some regulatory responsibility for social assistance (CSSS-CN 2006, Gächter 2006).

### ***The MAMAC collaboration project***

In 2005, at the initiative of the federal associations coordinating local delivery organisations, a new project of inter-agency cooperation, the MAMAC<sup>69</sup> project, was set up in order to give a formal and binding character to inter-agency cooperation. Although elaborated within the Federal Social Security Office (OFAS), the project was again conceived so as to leave the Cantons free to decide whether and how they wanted to proceed with the project. According to the concept developed by the OFAS, collaboration procedures within the MAMAC project were restricted to the sole category of new benefit claimants with complex needs and were to follow a strict process composed of a tripartite assessment of the claimant's employability, followed by the elaboration of a binding agreement specifying the appropriate labour market programmes to offer over the course of one year and the organisation responsible for the follow-up and funding of labour market programmes during this time (Champion Céline 2008).

With the MAMAC project, inter-agency cooperation moved a step ahead in the direction of more institutionalisation and formalisation (Champion Céline 2008). This was not only due to its more formalised conceptualisation and binding character for participating delivery agencies, but also because it gave several Cantons the opportunity to embark on inter-agency cooperation for the first time. Initially planned to be implemented as a pilot-project in a limited number of Cantons, it eventually attracted the interest of 16 Cantons. According to initial plans it was supposed to run for a five-year period and effectively ended in 2010.

Originally, the MAMAC project had been envisioned as a pilot project whose concrete results would determine the future of inter-agency cooperation, and from the outset, an evaluation

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<sup>69</sup> MAMAC stands for ‚Medizinisch-Arbeitsmarktliche Assessments mit Case Management‘

had been planned to assess its impact on the capacity of the system to meet individual needs, to accelerate transitions into employment, and to reduce social spending. The conclusions of the evaluation were however, rather disappointing. A positive outcome was seen to be an overall appreciation by beneficiaries who felt better catered for, and by personal advisers who were able to develop a better comprehension of the possibilities and limits of each organisation. This notwithstanding, the evaluation stressed that the project did not lead to higher rates of labour market integration and, due to its focus on a very small target group of new benefit claimants with complex problems, was by no means able to reduce social expenditures. Between 2006 and 2010, slightly more than 1000 beneficiaries had been announced for a MAMAC collaboration procedure across the entire country (Egger et al. 2010). Moreover, in administrative terms, it concluded that the strict collaboration process was too complex, and that the prospect of work overload for personal advisers often discouraged collaboration. Finally, it also pointed to a large disequilibrium in the use of collaboration processes, regional PES and social assistance offices tended to collaborate more extensively than disability offices, which raised questions about the long-term sustainability of inter-agency collaboration (Egger et al. 2010).

Surprisingly, despite the rather pessimistic findings of the evaluation, the Federal Council nevertheless decided to pursue inter-agency cooperation and further institutionalise it. It should be mentioned that at about the same time as the MAMAC project was due to end, a new Minister of Social Security, Didier Burkhalter from the Liberal party, took office. Right after his election in December 2009, Burkhalter found himself under pressure by Parliament to set out a national strategy to tackle poverty in Switzerland. In this context, the pursuit and institutionalisation of inter-agency cooperation quickly established itself as one obvious measure to prioritize on the strategy paper for the new Minister and the OFAS (interview CH1). Prior to his arrival in office, the OFAS had drafted a broad outline of the poverty-reduction strategy paper (interview CH7). Poverty relief being until then mostly a competence of the Cantons, the bulk of the measures that the strategy paper proposed concerned the Cantons and municipalities. Yet, politically, it was hardly possible for the federal government to unveil a national poverty reduction strategy that sent responsibilities back to the Cantons and municipalities without any even minor involvement of the federal state. For the new Minister, the aim was therefore to find one concrete and simple initiative to which the federal state could commit itself and adopt at little cost. The pursuit of inter-agency cooperation, which concretely involved the federal state only marginally, but for which it was easy to find broad societal agreement, therefore quickly proved an ideal solution to prioritize in the national strategy (interviews CH3, CH5, CH6). As a result, in 2010, the institutionalisation of inter-agency cooperation became one of the major instruments to tackle poverty as set out by the strategy paper. Among the concrete measures to institutionalise this instrument, the Minister announced the creation of two national steering groups and a very small but permanent federal office to redefine the future objectives and priorities of inter-agency collaboration from 2011.

Hence, against empirical evidence which suggested the failure of inter-agency cooperation to solve fragmentation problems and facilitate labour market integration, the end of the

MAMAC project did not trigger a move towards a more radical model of coordination, but instead the further development of inter-agency cooperation.

This decision met with ambiguous reactions from the federal associations of social assistance and from left-wing reform-minded politicians. On the one hand, they welcomed the commitment of the Federal Council to the development of inter-agency cooperation as a signal of its recognition of the need to take actions to improve the coordination of the social security system for jobless people (interviews CH2, CH3). On the other hand, they were much more critical of the way this was conducted. First, they interpreted the emphasis on inter-agency cooperation in the national poverty reduction strategy as a means to avoid embarking on more concrete reforms at federal level in this field, and to take over more responsibilities in the field of social assistance (Interviews CH3, CH6, 24 Heures 2010: 01.04.2010).

Second, some regretted that a more courageous and definitive decision on the future of inter-agency cooperation had not been taken in response to findings from the pilot-project MAMAC (interview Social Democratic MP). Rather than encouraging discussions on a more ambitious model of coordination, the disappointing results from the MAMAC project only led to the creation of national steering committees to reorganise and redefine inter-agency cooperation. This was even more deplorable since, in the meantime, most actors, whether from social assistance organisations or federal administration, had come to doubt the long-term sustainability of the soft method of inter-agency cooperation which left institutional and financial incentives to shift beneficiaries from one system to another largely intact (interviews CH1, CH2, CH3, CH5, CH6, CH8). Hence, for many, the decision by the Minister of Social Security to pursue and institutionalise inter-agency cooperation was symptomatic of the lack of political willingness to engage in a more radical reorganisation of the structure of the Swiss social security system for working age people (interviews CH3, CH5, CH6).

## **7.5. Do we need and want radical reforms?**

The feeling that the Swiss federal government showed no political will to engage in a comprehensive reform of the Swiss welfare state was not the only consequence of the developments particular to inter-agency cooperation, however. From the mid-2000, in parallel to the MAMAC projects, the adoption of ‘narrow-minded’ reforms in disability insurance and unemployment insurance and the failure of several parliamentary proposals for a greater coordination have also contributed to highlight the low political interest at federal level to seriously grasp the issue of coordination and initiate a large-scale revision of the organisational and substantive welfare state structure.

### ***The realisation of the institutional limits of inter-agency cooperation***

At its launch, inter-agency cooperation had been welcomed by all actors. The federal government saw in it an opportunity to improve the system at low cost and without having to embark on a reform of the division of responsibilities between the federal state and the

Cantons. On the other hand, the federal associations of social assistance hailed the idea as a necessary first step towards bigger changes (CDEP and CDAS 2001, interviews CH2, CH3, CH7).

On the whole, the development of inter-agency cooperation had been subjected to little debate in Parliament. When it came to the inclusion of the principle in the relevant federal laws on unemployment insurance and disability insurance in the early 2000s, there seemed to be a general cross-party consensus. However, already then, the Social-Democratic Party, while not denying the principle itself, argued for more engagement from the federal state in the promotion of coordination (Bulletin officiel de l'Assemblée fédérale - Conseil National, 13 March 2001: 1970).

Already before the end of the MAMAC project, the progressive extension and formalisation of inter-agency cooperation went hand in hand with a growing scepticism among those actors about its capacity to solve the problems related to the fragmentation of the Swiss welfare state. Paradoxically, it was not so much the development of the inter-agency cooperation *per se* that triggered scepticism, but the on-going reforms of federal insurance-based programmes, and more particularly of disability insurance.

As pointed out in section 7.2, disability insurance underwent a series of reforms in the 2000s, which sought to reduce the budget deficit by reducing the number of new claimants<sup>70</sup> and developing new instruments of employment promotion. By so doing, these reforms convinced advocates of coordination of the limits of inter-agency cooperation. On the one hand, the reforms showed that inter-agency cooperation was unable to counteract the dominant reform strategy at federal level which consisted of reducing spending within one particular scheme without considering the consequences for the other schemes (interview CH2). On the other hand, it was feared that the introduction of new instruments aimed at promoting labour market (re-)entry, like own placement services and new early intervention and vocational programmes, which would allow disability offices to possess nearly all necessary labour market instruments and resources *in situ*, would eventually lead to disability offices losing interest in inter-agency cooperation (Darioli 2006).

In 2006, the CSIAS/SKOS devoted its general annual assembly to the topic '5<sup>th</sup> revision of the disability insurance law and inter-agency cooperation: Opportunities and risks for social assistance'. The general conclusion drawn from the discussions was relatively pessimistic. It was the acknowledgment that inter-agency cooperation was unable to abolish cost-shifting patterns from federal insurance-based programmes to social assistance. Yet, unless social assistance underwent a complete reorganisation, inter-agency cooperation seemed the best alternative to social assistance. As a contributor put it as a conclusion:

*"At the end of that day, you are perhaps thinking that inter-agency cooperation is impossible. I agree with you, while adding: It's certainly impossible, but without inter-agency cooperation, social assistance is even more impossible."* (Darioli 2006: 1)

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<sup>70</sup> The last-in-date had the explicit objective to reduce the number of new claimants by 20%

It should be noted that, upon the insistence of the main federal associations representing social assistance organisations, discussions had started again within the parliamentary Social Security Commission on the possibility to create a framework federal law on social assistance. Yet, after two years of discussions, the idea was dropped again in 2006 when the majority of the Commission rejected it. The major argument put forward by the majority of the Commission was that social assistance had to remain a competence of the Cantons. On this point, the commission was also keen to emphasise that the need for a federal law on social assistance seemed to have diminished since inter-agency cooperation was being developed to help social assistance organisations to cope with the changing profile of their benefit claimants (CSSS-CN 2006).

### ***The failure of parliamentary proposals for major restructuring***

During the same period of time that reform-minded politicians of the centre-left started to actively support a global reconsideration of the way the welfare state in Switzerland was organised. Most of those claims were made by means of individual parliamentary interventions. They were of different kinds, but all denounced the complexity of the system and its lack of coordination. For this reason, these politicians called for a fundamental reorganisation of the welfare state in the direction of an integration of benefit schemes or delivery organisations with respect to employment-related services. Finally, several of them sought to reactivate discussions about the introduction of a federal law on social assistance<sup>71</sup>.

Most of them were clearly rejected by the Federal Council and by Parliament without any major debate. However, one, the Rossini initiative, proved more influential, partly because of its timing and partly because of its specific form<sup>72</sup> that forced the Commission of Social Security to discuss it. The initiative was of a radical nature. It asked the Parliament to prepare a reform that completely reshuffled the existing benefit system and merged all federal insurance-based programmes into four broad schemes: old age, health care, loss of income and labour market integration, and family (Banque de données des objets parlementaires 2007: 07.453).

Submitted in 2007, the parliamentary initiative was eventually dismissed by the Commission of Social Security in 2008 after two rounds of discussions and hearings with external experts. Despite the support of the Social-Democratic Party and the Green Party, the initiative was subsequently also rejected in Parliament by a clear majority.

Beyond the limited capacities and resources of the Swiss part-time Parliament to design the reform bill without much involvement of the federal administration – as required by any parliamentary initiative –, the arguments against the initiative stressed, above all, the overall low degree of socio-economic problems for a reform of that scale and the many obstacles and

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<sup>71</sup> Very recently, one of them was even approved by the National Council, but rejected by a centre-right majority of the Council of States on the main grounds that social assistance was to remain, in a federal country, a competence of the Cantons and municipalities so as to adhere closely to local needs (Bulletin official du Parlement, 11 June 2013, E478-481).

<sup>72</sup> It was a parliamentary initiative, which explicitly asks the Parliament, and not the government, to prepare a reform bill. Consequently, any parliamentary initiative is subjected to a mandatory examination by the corresponding parliamentary commission.

resistance that such a major reorganization had to contend with to even be feasible in MPs' minds.

The lack of a clear consensus on the necessity to embark on a major restructuring of the welfare states certainly constituted one first major argument against the proposal. It is true that the majority of the commission agreed that the fragmentation of the Swiss welfare state had become problematic in several respects, and resulted in a number of overlaps, lacunae and inefficiencies. At the same time, doubts were expressed as to whether those problems were acute enough to embark on a radical overhaul of the system. For many members of centre-right parties, the Swiss welfare state overall performed relatively well, and although they recognised the need for some specific adjustments and fine-tuning, they also shared the view that the situation was not as dramatic as to require a revolution (interviews CH4, CH9, CH10). This is typically the argument that Claude Ruey, a radical MP, referred to when he presented the position of the commission to Parliament:

*“The Commission also wondered whether there was a real necessity for profoundly reorganising the constitutional and legal social security framework (...) The Commission remembered Montesquieu’s quote: ‘It is sometimes necessary to change a law, but it is rare, and when it happens, this should be done with a light hand’, Therefore, we need exceptional circumstances to embark on an enterprise as huge as the one proposed by the author.”* (Bulletin officiel de l’Assemblée fédérale-Conseil National, 05 March 2009: 150)

In addition to the low problem pressure on the side of the driving factors for the reform, the commission also emphasised the very small chance for the reform to succeed given the numerous political and institutional obstacles it would have to overcome. One set of obstacles was found in the traditional political opposition between left-wing and centre-right parties regarding welfare state reform. Whereas the right-wing parties had pledged cost containment for the last 20 years, a powerful fraction close to trade unions within the Social-Democratic Party had adopted a defensive position and opposed any reform that could lead to the risk of welfare dismantlement. Under such circumstances, merging benefits as proposed by the Rossini initiative would most certainly meet with reluctance from both sides (interviews CH1, CH6). On the trade unions' side, the fear was that the right-wing parties would take the reform as an opportunity to reduce benefit levels drastically. On the centre-right side, however, it was feared that a loosening of the causality principle inherent in insurance-based schemes<sup>73</sup> would result in higher benefit dependency rates and higher labour costs for employers (interviews CH9, CH10).

Second, the commission also stressed the huge institutional obstacles arising from the Swiss political system to overcome. Among them were notably the veto powers that many non-state actors involved in the provision of the various welfare state schemes could exercise. Among the most important veto players were the Cantons, but also, and more crucially, private interests involved in the provision of health insurance and occupational pension schemes. Given the strong influence of their lobbies in Parliament, any restructuring of those areas that would affect them negatively was thus most likely to be severely constrained by their

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<sup>73</sup> i.e. benefit entitlement is conditioned to the occurrence of a particular social risk

opposition (interview CH1). In this respect, the general fear was that the initiative turned into a lengthy and arduous process that ended up at best in a messy compromise in which much of the initial rationale would be lost. As a Liberal-Radical MP and member of the commission claimed before Parliament: *'Big reforms are often like mountains that eventually give birth to a mouse'* (Bulletin officiel de l'Assemblée fédérale-Conseil National, 05 March 2009: 150)

Finally, a second institutional obstacle was found to be direct democracy and the consequent likelihood of the reform being challenged by its political opponents in a popular referendum. In such a case, the probability that the reform would pass would be very low given the complexity of the reform and, even more importantly, the risk of benefit cuts in very sensitive areas like pensions or health care. On this last point, a member of the Commission from the Swiss People's Party precisely emphasised the somewhat pointless task of trying to convince the population of the benefits of a reform that could have a direct negative impact on their financial and physical well-being:

*"It's very unlikely that some benefit schemes will be integrated. It's not going to happen. In the social policy area, the sensitivity is relatively high. Changes in social policy are not to be made through big hits, because concerns from people who could lose from the reform are huge. It's fascinating for specialists, but it can't be translated into the realpolitik. It makes no sense to embark on laborious work to eventually discover that it has no chance to succeed in a popular vote. Because, in a direct democracy, we always have to convince the citizens of the benefits of such massive steps."* (Interview CH10)

All these considerations combined, it appears that the general argument underlying the rejection of the Rossini initiative by the Social Security Commission was as much as anything its unfavourable relationship between most probable high costs on the one hand, and most uncertain potential gains on the other. On the question of potential gains, a Christian-Democrat MP and member of the Commission summarised very well the position of the majority of Commission:

*"Theoretically, yes [there are potential gains]. But no one really believes it, because we fear that this turns into a gargantuan exercise which eventually ends up in an even more complex system as it is now. It works now. We can change it, hoping that it will be improved, but whether it will really improve is uncertain. It risks destroying the functioning modes of individual organisations; it risks destroying the day-to-day know-how at front-line level. All those staff working in the offices, their knowledge, all that will be destroyed and newly reorganised. And then, you have such a big thing, and will it work better? We don't really see the necessity, and we have no confidence in a better result. So, let's leave the system as it is now."* (interview CH9)

Ultimately, it seems that it is this unfavourable relationship between very low gains and high risks of failure that led the Commission to dismiss the initiative. Interestingly, however, the Rossini initiative had some unexpected, positive consequences. Surprisingly, the initiative stirred up certain cross-party sympathy within the Social Security Commission, and raised some awareness within its members to problems induced by the fragmentation of the Swiss

welfare state. This was not only visible in the fact that a second round of discussion was unexpectedly scheduled after the first one, but also in the tone adopted in the Commission's report to Parliament (Interviews CH2, CH6). Though the report clearly pointed to the overall low problem pressure but high uncertainties about the concrete achievements of such a complex reform, it also clearly stated that the majority of the commission agreed on the need for modernising and adapting the Swiss welfare state to post-industrial circumstances (Bulletin officiel de l'Assemblée fédérale-Conseil National, 05 March 2009: 150).

Finally, an indication of the cross-party sympathy could be seen in the fact that, at the same time as discussions took place within the Commission, two completely opposite political parties, the Social-Democratic Party and the Swiss People's Party, included the issue of the reorganisation of the Swiss welfare state in their respective social policy programmes, albeit as a long-term objective without any concrete short-term commitment (Banque de données des objets parlementaires 2007, SVP Schweiz 2008, PS Suisse 2010). This can be seen as a direct consequence of the discussions held within the Commission, as the members of the Commission in both parties also happened to be closely involved in the definition of the social policy programme of their respective political party (interviews CH6, CH10).

Still, even then, the salience of the issue of the coordination remained largely circumscribed to the Commission of Social Security. As some members of the commission confessed, the issue of coordination remained largely overlooked by the vast majority of MPs who lack the sufficient expertise in social policy matters to understand the various stakes involved in the fragmentation of the Swiss welfare state. Despite about ten years of experimentation with inter-agency cooperation and several calls for a comprehensive reorganisation of the system, proponents of coordination in the Swiss welfare state have never really succeeded in pushing the issue as a major political problem on the national political debate (Interviews CH6, CH9, CH10).

Likewise, the discussions did not much alter the position of the federal government on the issue. Over time, the federal government did come to recognise the extreme complexity of the Swiss welfare state and the need to do something to achieve greater coordination, but it has been always keen to underline that this should only happen through soft methods and small, targeted adjustments. Even in the immediate aftermath of the discussions on the Rossini initiative, it never showed any particular interest in a radical restructuring of the Swiss welfare state. In large part, its arguments were similar as those deployed by the Social Security Commission to reject the Rossini initiative, stressing the high obstacles and limited gains of comprehensive reforms (Conseil Fédéral 2012). In its justifications, the further development and institutionalisation of inter-agency cooperation often took a central place, which it qualified as a promising alternative way to reduce the operational complexity of the welfare state system and improve the coordination of the system with respect to activation policies (Conseil Fédéral 2012).



### **Recent developments**

Since 2008, the relative sympathy for the issue of a major reorganisation of the Swiss welfare state seems to have faded away, even within the Social Security Commission. In 2011, when fieldwork was conducted, few believed in the possibility of a radical reform of the Swiss welfare state in the medium or long term. Even the fragile consensus that emerged in 2008 on the need to achieve a greater coordination of the Swiss welfare state seems to have broken down in favour of a view that the Swiss welfare state performed quite well as a whole (interviews CH1, CH4, CH9, CH10).

Even among the most ardent partisans for a comprehensive modernisation of the welfare state in Social-Democrat ranks, a certain resignation could be observed:

*“We [the Social-Democrats MPs] have had a deliberate strategy since the [Rossini] initiative, which has been to cut it into pieces and submit more circumscribed parliamentary interventions with MPs from other political parties (...) What we are doing is to maintain this field of discussions alive and strike while the iron is hot. (...) We are reduced to very modest ambitions, that is, trying to make sure that the discussions continue. (...) But it is a huge investment so that those ideas are not dying.”* (interview CH6)

This resignation has a lot to do with the repeated rejections of the numerous parliamentary interventions that requested the federal government engage in a major welfare state reorganisation in direction of greater coordination. But a number of changes to the political and economic situation of the country, and in the welfare state area, seem to have led to a serious political questioning of the need for greater coordination.

First, though the 2008 financial and economic crisis did not spare Switzerland, its consequences for the Swiss economy proved less severe than expected. While the economic crisis of the 1990s resulted in the unemployment rate doubling between 1991 and 1994, the 2008 crisis “only” caused modest increases in unemployment, which rose from 3.4 % to 4.2% of the workforce between 2008 and 2010 (OECD, Labour Force Statistics, 2011) and in social assistance caseloads. Compared with much higher European and OECD figures, this has fostered a perception among the majority of Swiss policy-makers that the Swiss welfare state was well functioning and possessed strong adaptive capacities.

Coupled with that, two other internal developments within the welfare state area contributed much to reinforce this feeling. First was the realisation that reforms in disability insurance introduced since 2003 proved much more effective than expected in reducing the number of new benefit claimants and stabilising the total number of disability benefit recipients. Since 2003, the number of new claimants had indeed declined by 47% (Banque de données des objets parlementaires 2011, OFAS 2011a), leading some policy-makers to assume that the prevailing reform strategy based on targeted adjustments was quite effective (interview CH9).

A second development pertained to the publication in 2009 of a survey on beneficiaries’ annual flows between unemployment insurance, disability insurance and social assistance (the Fluder report). The aim of the report, mandated by the SECO and the Federal Social Security

Office (OFAS), was to give some objectivity to the criticisms made by social assistance organisations against the tendency prevailing at federal level to reform insurance-based benefit schemes by shifting costs onto social assistance. Though controversial on several aspects, the results were interpreted by the OFAS as the proof that cost shifting strategies ‘affected only a minority of beneficiaries and do, therefore, not constitute a massive phenomenon’ (Interview CH1, Fluder et al. 2009: Vorwort des BSV).

Finally, it should also be noted that politically, the stated commitment by the federal government to institutionalise and further develop inter-agency cooperation, as well as the perspective of the 2011 General Election in Parliament, seem to have watered down claims for a complete overhaul of the Swiss welfare state. On the one hand, the perspective that the redefinition and further development of inter-agency cooperation could lead to more ambitious reforms assuredly renewed hopes among reform proponents in that form of coordination (interviews CH3, CH6, CH8). On the other hand, the upcoming General Elections in 2011 proved little favourable to the issue of coordination. At best, if only affecting organisational structures, it remains a highly technical matter, which is difficult to communicate to the public and for which the majority of voters would see only limited benefits (interview CH4). This holds even more so given that only a small minority of them is directly affected by the problems of coordination in the realm of activation policies and that public concerns for improving the efficiency of public administration are generally low:

*“Political parties will put the issue [of the fragmentation of the social security system] high on their political programmes only if there is a high potential for electoral gains. But this is not a current concern in the population. Look at the five largest concerns. Nowhere can you see that this is a concern, even stated in simpler terms, such as the lack of transparency which could be an indicator for concerns about the lack of harmonisation. Their major concerns are unemployment, increasing health insurance premiums, immigration, and insecurity. So, no, at the moment, I don’t see any potential for electoral gains with this issue.”* (interview CH4).

At worst, if affecting the benefit system, a reorganisation of the welfare state risks cumulating public resistance either for fear of potential benefit cuts or, in contrast, increased labour costs and lower economic competitiveness (interview CH1). As a result, while the 2011 General Election could have theoretically constituted a valuable opportunity for the issue to reach the top of party political agendas, political parties largely abstained from making concrete political commitments in this area.

## **7.6. Discussion**

Switzerland is the only country in this study that did not move to implement organisational change in the way benefit schemes and employment services are delivered. However, this does not mean that the idea had been totally absent from political debate. Over the past twenty years in Switzerland, there have actually been several attempts to initiate organisational

reforms in order to change the existing structure of the Swiss welfare state. However, all of them have so far failed in the pre-parliamentary phases of the policy-making process. Reform proposals were essentially of two types. The first type comprised parliamentary interventions requiring a major overhaul of social protection, going up to a complete redesign of the benefit system in order to reduce its complexity. The second type dealt with the position of social assistance within the Swiss welfare state. In Switzerland, from the outset, the issue of coordination has always been closely related to the issue of the transfer of some regulatory responsibility for social assistance to the federal state inasmuch as it could force consideration from federal authorities and facilitate coordination with unemployment and disability insurance schemes at federal level. The absence of federal competences in social assistance became an important issue for the Cantons in the 1990s with the rise of long-term unemployment, and still represents today a major hurdle to and argument against any comprehensive restructuring of the Swiss welfare state.

In the absence of any major organisational reform, Switzerland has engaged in a softer but more pragmatic form of coordination: inter-agency cooperation with respect to employment-related services, which is carried out at delivery level between regional PES, social assistance and disability offices. It has now been ten years that this path has been pursued, but its future remains uncertain, both because still largely depends upon developments in unemployment insurance and disability insurance, and because it seems to constantly be under redefinition at the federal level. This became particularly apparent when the decision to institutionalise inter-agency cooperation in 2010 was accompanied with the setting-up of national steering committees to redefine the mission and scope of inter-agency cooperation. For these reasons, for many actors, especially cantonal actors involved in social assistance, inter-agency cooperation is still mainly regarded as a ‘second best’ option, while hoping for it to stimulate comprehensive reforms in the short or long term. For the federal government, however, it has on many occasions provided a good opportunity to answer demands for greater coordination at low cost to the federal state.

How can one explain why Switzerland has never engaged in more ambitious reforms geared towards integrated services delivery or greater coordination of its benefit system?

Perhaps to a larger extent than in other countries reviewed in this study, Switzerland has piled up the obstacles to a rapid, and successful agenda-setting of more ambitious organisational reforms. First, pressures to reform income support benefit schemes for jobless people have always remained comparatively low. Over the past decade, when calls for a greater coordination of these schemes intensified, unemployment fluctuated at relatively low levels, and, whereas social assistance and disability insurance caseloads had risen sharply in the 1990s, they experienced a relative stabilisation in the 2000s. Certainly, these low objective problem pressures have been little conducive to the emergence of a political consensus on the need for a rapid comprehensive restructuring of social protection for jobless people of working age. Second, by cumulating opportunities for opponents to block a reform or seek compromises for their sake, the Swiss political system makes any comprehensive organisational change in this area, by definition prone to affect many interests, very complex, lengthy and highly vulnerable to political failure. On this point, the fact that in Switzerland, social assistance is still a competence of the Cantons and municipalities does not facilitate the

process, as any comprehensive organisational reform at federal level that would include social assistance would first require giving the federal state some regulatory competences in this area, which is in itself susceptible to trigger lengthy political debates. Combined, the low perceived need to take action and the high political risks of failure explain a great part of the difficulties for the issue of coordination to attract serious political attention.

But another part of the explanation can be found in the absence of any perceived policy, institutional or electoral gains to be made from a major reorganisation of the welfare state and that could counterbalance risks, especially for the federal government. As several respondents have underlined, even if it is true that the adoption of organisational changes would most probably be fraught with intense political debates, some solutions like the introduction of a federal framework law on social assistance would nevertheless have realistic chances of being adopted if there were a firm political commitment in this direction from the federal government (interviews CH3, CH5, CH6). Yet, the Swiss case crucially highlights that there has never been any strong governmental interest and will to push for such reforms. And one can reasonably believe that, in the absence of any perceived ‘urgency’ to act, this has to do with the fact that the Swiss federal government has never found a possibility to combine organisational reforms that aim for greater coordination with activation policy change or institutional and electoral gains.

Regarding activation policy objectives, it is worth noting that proponents for a greater coordination have never coupled their reform proposals with substantive policy changes, or as it was the case in the UK or Germany, as a means to reshape the Swiss activation policy and strengthen work related requirements and incentives for non-unemployed benefit claimants. Arguably, the Rossini initiative was predominantly about substantive policy change as it proposed nothing else than reshuffling the whole benefit system. However, the justification for the reform initiative concentrated above all on the coherence and inefficiencies of the system, and skilfully avoided to raise its potential widely controversial implications for the design, coverage and generosity of insurance-based benefit schemes (Banque de données des objets parlementaires 2007, Conseil Fédéral 2012).

Additionally, and perhaps more importantly, for the federal government, there have never been any short-term institutional or electoral gains to be made from a reorganisation of the welfare state, quite the contrary. On the issue of institutional goals, the case of the federal law on social assistance is a case in point. While the federal government has generally advanced arguments related to the federal division of tasks as defined in the Federal Constitution, it appears that another reason why it never showed any particular interest in taking over regulatory responsibilities in social assistance was that this would most certainly oblige the federal state to take over financial responsibility for the compensation of the loss of cantonal autonomy (interviews CH1, CH3, CH8), which the federal government has never wanted to do.

Finally, one can reasonably believe that the absence of any electoral pressure on the federal government to deliver concrete achievements and convince the population of its capacity to steer the country forward has not facilitated the emergence of more ambitious coordination reforms on to the political agenda. This is not to say that the issue would have necessarily

emerged if the Swiss federal government had been elected by the population and confronted with the possibility of being defeated at the next election. Rather, the point is simply that the pressures could have been greater for finding innovative ways to tackle social and labour market problems, even in contexts of relatively low unemployment problems.

Yet, in the absence of any electoral competition for votes, it appears that the only major motivation for the federal government to initiate reforms in the realm of the welfare state is financial pressure and cost containment. It is striking that most reforms that the federal government launched in the past twenty years have been primarily driven by the objective of consolidating the budget of federal insurance-based programmes. Even the development of active labour market policy within unemployment insurance and more recently disability insurance has been mainly developed to achieve this objective, or to ensure political opponents' support for retrenchment measures by combining them with expansion in labour market programmes in broad policy packages (Bonoli and Häusermann 2011, Champion Cyrielle 2011). In contrast, unlike what could have been observed in all of the three other countries, the federal government has never launched any reform initiative that was primarily motivated by the goal of improving and extending active labour market policy (this was for instance the case of the New Deal reform programme in the UK, the Job-AQTIV law in Germany, or the reform 'More people into work' in Denmark). Against this background, it is not very surprising that it never showed much sympathy for organisational changes in direction of greater coordination, whose prospects for large-scale savings in the short run are low while investments in time and energy to get such a reform passed are likely to be high.

Under such circumstances, it seems that only exceptional circumstances could overturn the situation, which is currently not the case in Switzerland. Throughout the 2000s, but even more vigorously since the 2008 economic crisis, the dominant feeling about the welfare state in the federal political arena has been that the welfare state works comparatively well and does not need any fundamental reorganisation.

In addition, although the actual problems induced by the fragmentation of the welfare state are probably at least as important as they were in the other countries under examination, their lack of objectivity and visibility make their political recognition difficult in a context where there is no political interest to engage in a complex reform. In this sense, the battle waged by the Cantons and a fraction of the Social-Democratic Party during the past twenty years actually seems to have been a battle for the political recognition of fragmentation-induced problems as much as a battle for pushing for coordination reforms. It is only recently that the Swiss federal government has started to acknowledge the existence of some problems like cost shifting, overlaps and inefficiencies, but rather reluctantly and always very cautiously. In its recent positions, it has always been keen to emphasise that it considered the existing problems as minor and limited.

From this perspective, it should come as no surprise that the Fluder report published in 2009, which aimed to give some objectivity to the debate on cost shifting practices, was eventually interpreted by the federal administration and government as the confirmation of the limited scope of fragmentation problems. And yet, if one considers for instance the number of people in receipt of two or more benefits, the percentage calculated by the Fluder report, i.e. 13 per

cent of all benefit claimants (Fluder et al. 2009: XVII), is broadly similar to the percentage of unemployed people in receipt of both unemployment and social assistance schemes in Germany at the end of the 1990s, when discussions about an integration of these two schemes took off (167'000 over a total of 1'600'000 benefit claimants, according to the report by the working groups 'AFG-Reform' und 'Sozialhilfe', 1998). This therefore tends to confirm that the political recognition of organisational problems depends less on objective conditions than on the political will and readiness to tackle such problems.

In sum, even though no major coordination reform has happened in Switzerland, in many regards the Swiss case is informative on the politics of coordination. It highlights that because of their diffuse and subjective character, the problems induced by the fragmentation of the welfare state, however severe, cannot alone explain why a government decides to embark on a major coordination reform. The same is true for institutional obstacles. While the institutions of the Swiss political system seem to clearly have had some inhibiting effects, they cannot alone explain the preference of the Swiss federal government for a soft form of coordination. Instead, it shows that the existence of a strong commitment from the government, coupled with the perception of significant policy, institutional or electoral gains, matters greatly to the agenda setting of organisational reforms.



## **8. COMPARATIVE ANALYSIS: DISCRETIONARY PROBLEMS, POLICY AND POLITICAL OPPORTUNITIES**

This study has taken the question of why various governments in Europe embarked on comprehensive organisational reforms in social and employment policies such as mergers of public delivery agencies or integration of benefit schemes as its point of departure. This research question was first raised based on the observation that such reforms cumulate high risks of political and administrative failure and high uncertainty regarding their immediate employment outcomes. Empirical case studies have shown that organisational reforms resulted in many difficulties and political resistances, with, at times, dramatic political consequences for governments; the adoption of the Hartz IV reform in Germany stands as a case in point. However, what is striking is that organisational reforms nevertheless emerged in quite different political and economic contexts. While in the UK and in Germany, they were undertaken by centre-left governments who arrived in office during times of high unemployment and inactivity rates, the Danish jobcentre reform was put forward by a liberal-conservative government in a context of low unemployment. This suggests a look at explanatory factors beyond those based on partisan politics or functionalist problem pressures.

In the theoretical part of this study, I have tried to depart from the received view of organisational reforms towards integrated services delivery as a mere functionalist response to fragmentation-induced problems and inefficiencies. Instead, I have argued that the agenda setting of organisational reforms is best understood through an examination of the various types of opportunities that governments link to such reforms. Besides activation policy goals aimed at providing the adequate organisational basis to support policy changes towards employment-friendly welfare states, it has been claimed that organisational reforms can embody two other types of goals: electoral goals linked to the prospect of claiming credit for major reforms directed towards more efficient and user-friendly services on the one hand, and institutional goals that intend to restructure the division of responsibilities in labour market policy on the other. Starting from this distinction, the main hypothesis was that governments are more likely to push for organisational reforms when they perceive an opportunity to couple them with at least one of these two collateral goals, i.e. either electoral or institutional goals. Moreover, it was presumed that the mobilisation of one of these two goals could vary across countries depending on the political institutions and pre-existing organisational arrangements of the welfare state. From this perspective, institutional goals were more likely to be pursued in countries where social partners or lower tiers of government assume important responsibilities, while electoral goals tend to be more prominent in countries with a high concentration of political power.

The previous chapters have described the agenda setting of organisational reforms geared towards the integrated provision of cash benefits and employment services in four European countries, three of them having effectively adopted quite radical organisational changes, whereas the last one, Switzerland, did not. This chapter will now attempt a comparison of the various national experiences and assess the extent to which the three types of goals identified in the theoretical framework can explain the turn to radical organisational restructuring. Case



studies have shown that in all three countries where organisational reforms took place, they were effectively used as a means to achieve activation policy or institutional goals. Moreover, and unlike what had been hypothesised from a theoretical point of view, the perception of electoral gains to be made from organisational reforms was not exclusive to countries with high degrees of power concentration. In fact, albeit to different degrees and at different points in time during the agenda setting process, electoral considerations were behind organisational reforms in all three countries. This chapter will therefore try to assess the relevance of each of these goals for the agenda-setting of organisational reforms towards integrated systems in social and employment services.

I will first begin with activation policy and institutional goals. The reason for considering them together derives from the fact that, in each country, the government's ability to couple organisational reforms and changes in either one of these two arenas seems to have considerably enhanced their attractiveness. As electoral motivations can be found in all countries, their particular role will then be analysed separately. The overall argument presented in this chapter is that, if coupling organisational reforms with activation policy and institutional goals played an important role, a key determinant of the agenda-setting of organisational reforms was the perceived opportunity to use them for electoral and political positioning purposes, as a means to show commitment for radical and positive change. From this perspective, it is claimed that it is less the political orientation of a government, but rather the particular political pressures faced by governments newly appointed to office after long periods in opposition that matters most in the turn to organisational reforms.

But to what extent can the perceived opportunities for achieving several goals really explain the rise of organisational reforms as compared to alternative explanations based on functionalist and learning arguments? I began this study by challenging the dominant functionalist view of the turn to coordination initiatives in the welfare state and NPM literatures. This chapter therefore starts by examining the actual importance of socio-economic and fragmentation-induced problems in explaining turns to organisational changes towards coordinated systems, and, in a second phase, examines the role of policy learning and diffusion, two related valuable alternative explanations for the adoption of radical and risky reforms across various countries, including those traditionally portrayed as highly resistant to change.

### **8.1. The discretionary nature of organisational problems**

As discussed in the theoretical part of this study, one can identify two broad types of problems that may have prompted the turn to coordination efforts. These are first socio-economic pressures such as high unemployment levels, or perhaps even more crucially for this study, steady increases in social assistance and incapacity related benefit caseloads (see e.g. Clasen and Clegg 2011). Second are organisational problems, induced by the fragmented provision of social and employment policies. As the four country case studies have shown, these two types of problems have been at the core of political justifications for coordination efforts. In all countries, initiatives aimed at a greater coordination of the provision of social and

employment policies were presented by all governments as a solution to fragmentation-induced problems, and ultimately, as a means to reduce the number of jobless people on benefits.

Yet, albeit broadly underpinned by similar justifications, the comparison of the actual scope of problems facing the four countries and their interpretation by respective governments contradicts in several respects a direct causal relationship between the magnitude of socio-economic and organisational problems and the adoption of organisational reforms. According to a purely functionalist understanding, one would assume that similar problems would give rise to broadly similar solutions, regardless of the political orientation of a government or the political system in which it operates. Yet, it emerged from the country case studies that similar socio-economic and organisational problems were not similarly interpreted across countries and time, whereas varying levels of pressures sometimes gave rise to similar political responses.

In regard to socio-economic problems, it is remarkable that the idea of integrative social and employment policies emerged under quite different socio-economic contexts. Whereas in the UK and Germany, the idea first emerged in the late 1990s in situations of relatively high unemployment and inactivity rates, in Denmark, it arose in a context commonly portrayed as an employment miracle. The motivations given by the Danish liberal-conservative government for the integration of employment services and its broader activation policy agenda therefore acquired a quite different meaning, revolving around the necessity to prevent future labour shortages rather than on the need to reduce high benefit caseloads (see chapter 6).

Despite very low unemployment, Denmark was faced with preoccupying levels of incapacity benefits, and as such, was confronted with a similar socio-economic trend as its British and German counterparts. However, in the first half of the 2000s, Switzerland experienced a very similar situation to that of Denmark, with relatively low unemployment, but steadily increasing incapacity benefit levels, and to a lesser extent, social assistance caseloads (see figure 7.1). It is also precisely at that time that the issue of the coordination of employment-related services emerged. Yet, as seen in chapter 7, neither then nor now did the Swiss government show any interest in an organisational reform geared towards integrated employment services. It has rather preferred to reform invalidity insurance and equip it with new active labour market instruments, further reinforcing the segmented character of activation policies for the different categories of jobless benefit claimants. The assessment of the Danish and the Swiss responses to increasing incapacity-related benefit caseloads reveals that coordination reforms are not one unique and necessary solution to the problem of high unemployment and inactivity rates.

The finding that cross-national variety in the response to socio-economic problems exist is as such not new, and only confirms the long-standing criticisms against classical functionalist arguments that had been underlined in the theoretical chapter. On this point, the political treatment of organisational problems across countries and time is perhaps of greater interest for this study and for the discussion of functionalist arguments. Comparing the various cases covered by this study indeed reveals a number of contradictions in the way organisational

problems were interpreted, which severely contradict the assumption that organisational reforms were undertaken to solve objective pressing problems induced by the fragmentation of welfare state structures.

In this respect, one interesting finding from the comparison of initial organisational situations is that similar organisational problems have sometimes given rise to very different political interpretations. One typical example is the interpretation made by the German and Swiss governments of the alleged problem of multiple registrations for needy unemployed people. As noticed in the conclusive part of the Swiss chapter, similar proportions of benefit claimants in receipt of two or more benefits in Germany in the mid-1990s and in Switzerland towards the end of the 2000s (about 10 per cent of all benefit claimants in both cases) actually led to quite different interpretations. While in the Swiss case, the federal government and administration interpreted this number as a sign that the fragmentation of the welfare state did not pose any major problem in general, in Germany, reform-minded policy experts within the Social-Democratic ranks considered it, in contrast, to be further proof that a reform of unemployment and social assistance schemes was needed (see chapter 5).

A similar example of the sometimes divergent interpretations given to similar organisational problems is found in the Danish case with regard to the distribution of competences between the central state, regions and municipalities. In early 2004, the so-called Structural Commission delivered its report, mandated by the liberal-conservative government, on the ways and possibilities to redefine the division of tasks between these three government levels. Whereas in the end of the 1990s, a similar commission established by the previous Social-Democratic led government had concluded that there was no need to change the prevailing distribution of tasks, the Structural Commission, in contrast, found significant weaknesses in the structure of the public sector, the most important one being that many local authorities were too small to perform the tasks assigned to them (Structural Commission 2004).

These two examples make it clear that it is difficult to talk about 'objective pressing problems' when it comes to organisational problems. Depending on the country and time period, similar organisational problems were actually accorded very different interpretations. In the same vein, another finding that runs counter to an understanding of organisational reforms as a response to objective pressing organisational problems can be seen in the fact that these reforms were often propelled onto political agendas without much concrete empirical evidence about the actual scope of alleged organisational problems.

This was typically the case of the problem of cost shifting practices between unemployment benefits and social assistance in Germany. From the beginning of the Schröder era, this problem was defined as one of the central motives for integrating the two benefit schemes for the long term unemployed (Projektgruppen 'AFG-Reform' und 'Sozialhilfe' 1998, Bertelsmann Stiftung 2002b, 2002a). Yet, as seen in the German case study, the actual importance of cost shifting practices remained subject to some controversies. Concrete figures on the proportion of social assistance recipients shifted onto unemployment insurance after participating in a contributory public employment programme did not seem to exist at that time<sup>74</sup>. However,

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<sup>74</sup> Or, at least, I have not found any in the primary and secondary literature consulted, but Hassel and Schiller (2010a: 70) did not either.

later research suggested that the problem was actually less prevalent as commonly assumed in reform-minded circles at that time (Hassel and Schiller 2010a). In a same vein, in the UK, while the Conservative<sup>75</sup> and Labour governments defended their respective reforms towards integrated systems by referring notably to the ‘need’ to prevent unfriendly multiple registration, certain evaluations (mandated by the then DSS) had shown that this problem was in reality rather marginal (see section 4.3).

All those contradictory examples suggest that organisational problems like cost shifting between government levels or multiple registrations/benefit claims belong to a type of problem that is difficult to put figures on and for which it is difficult to trace a clear frontier between clear-cut failure and minor problem, even when indicators of their magnitude are available. They are thus not self-evident. This is not to say that they did not exist or that policy-makers who raised them did not genuinely care about them. Rather, the point here is that such problems, because they are difficult to objectively ascertain, are highly contingent upon actors’ interpretations and beliefs, and probably also, in line with Kingdon’s streams model, on the possibility to link them with pursued reform agendas (Kingdon 1984). It is indeed striking that such problems tended to be raised by governments and experts eager to promote organisational reforms that integrated welfare state systems, whereas in Switzerland, for instance, the federal government has always tried to minimise their scope (see chapter 7).

In addition to their subjective basis, two other factors seem to concur to make the recognition of organisational reforms highly dependent on political will. This is, first, the fact that such organisational inefficiencies in the realm of social and employment policies do not directly affect the median voter as it could be the case of organisational inefficiencies in health care, which everybody may potentially suffer from sooner or later (Green-Pedersen and Wilkerson 2008). Moreover, unlike for instance economic issues such as hikes in unemployment, budget deficits or exchange rate pressure, it is rarely the case that they deteriorate to crisis proportions that render them highly visible to the public and impossible for governments to ignore (Kingdon 1984: 100).

One could argue that the case of the 2002 ‘placement scandal’ in Germany, which is commonly viewed as the focusing event that enabled the Schröder government to put a radical reform of labour market policy on to its political agenda, precisely proves the contrary. However, as seen in Chapter 5, the placement scandal had been actually substantially dramatized and skilfully used by the government to initiate a comprehensive reform process that was thought infeasible before. Had the government not been keen to prove action before the general election, it would have probably tried to minimise the actual failures until its re-election (interview G8). In contrast, towards the end of 2002/early 2003, the wide public discontent against persisting high budget deficits and rising unemployment, which symbolically translated into the defeat of the SPD in Schröder’s home *Land* in early 2003, was a problem that Chancellor Schröder could not avoid and perceived as vital for his survival.

Against this background, it seems that organisational problems related to the fragmented organisational delivery of social and employment policies are best characterised as

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<sup>75</sup> For the Major government, this was the case of the introduction of Jobseekers’ Allowance in 1996.

discretionary problems, whose elevation to the status of political problem is highly contingent upon governments' interpretation and commitment to be action oriented in a particular field. This therefore contradicts a rational, functionalist view of organisational reforms as simply a matter of solving pressing fragmentation-induced problems. Conversely, this finding seems to lend support to the thesis that organisational reforms have greater chances of reaching the political agenda when governments perceived in them an opportunity to achieve other collateral goals. Finally, it is perhaps worth noting that even when high economic problems are at stake as it was the case of Germany in 2002-2003, it seems that the way in which they are translated into public opinion and into the government's popularity is just as important as the need to actually deal with these economic problems.

## **8.2. The roles of learning and knowledge: facilitative tools or trigger motives**

In this section, I now turn to the examination of another potential explanation for the emergence of organisational reforms in various countries, which is the role of policy learning. The theoretical literature generally distinguishes between two types of policy learning: learning from innovations adopted in other countries (policy diffusion), and learning by trial and error from one's own experiences, or more specifically, from failures of first moderate reform attempts (Hemerijck and Visser 2003). As seen so far, all organisational reforms covered by this study reached national political agendas within a relatively short time span (end 1990s-early 2000s), and this at a time of a burgeoning marketplace for exchanges of national experiences in the framework of the European Employment Strategy. In addition, before turning to comprehensive organisational reforms, all countries first engaged in more cautious pilots on inter-agency cooperation. There are therefore good reasons to more thoroughly examine to what extent cross-national diffusion and trial-and-error learning processes helped to account for the agenda setting of organisational reforms. As we will see, the two types of learning processes actually took place in all four countries, albeit with some specificities on the 'why' dimension (what prompted governments to learn?), and the 'what' dimension (what was learnt?).

### ***Instances of policy diffusion***

In all three countries that carried out comprehensive organisational reforms, the agenda setting process always involved at some point in time ministries or commissions looking at experiences made abroad. As discussed in the British case study, American experiences of integrated jobcentres offered one major source of inspiration in the UK (Mulgan 1998, Daguerra and Taylor-Gooby 2004)<sup>76</sup>. Exchanges with the US happened very soon after the election victory of New Labour. In the first months of the Blair administration, several trips to the US involving senior civil servants and junior ministers from the Department of Social

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<sup>76</sup> New Zealand's model 'Work and Income New Zealand' (WINZ) seems to have been also a source of inspiration (interview UK3).

Security were organised. The initial goal was not so much to learn about organisational restructuring, but more generally, to learn how best implement the New Deals in practice. However, during that process, policy-makers also discovered the one-stop-shops. The Wisconsin model in particular made strong impression, as it gathered all services that can help labour market reintegration under one single roof, including child care and psychologists (interview UK1). In this sense, the discovery of American models of one-stop-shops seems to have given a decisive impulse for more serious consideration of the single gateway idea within the Department of Social Security.

But transfers from the US to the UK did not stop to the sole inspiration, however. As it appears, it also concerned the practicalities of the everyday implementation of the ONE pilots (interview UK1). As the pilots were launched, one American expert came and spent one year in the UK coaching the Department of Social Security on the potential problems at the front-line delivery level and the communication to adopt so as to facilitate daily collaboration between street-level practitioners from the Benefits Agency and Employment Services (Work and Pensions Select Committee 2002).

As discussed in chapter 5, both the Bertelsmann working group and the Hartz commission examined the experiences of other European countries. They looked more particularly at the reforms made in the UK and Netherlands, countries that had completely reorganised the administration of its benefit system and employment services and introduced a front-line single gateway to the benefit systems and employment services in 2002. Similarly as in the British case, the Bertelsmann foundation organised business trips to the Netherlands.

Looking at the intermediary and final reports of the Hartz commission (Geschäftsstelle der Hartz Kommission 2002, Hartz Kommission 2002), it stands out that the aspects of organisational reforms that attracted particular attention essentially pertained to the concrete design of one-stop-shops. First and foremost, the two countries retained the solution of a comprehensive single gateway in charge of both benefit payment and employment-related support for all categories of jobseekers, so as to give each jobseeker one personal adviser and establish one unique employment service<sup>77</sup>. Particular interest was also given to the Dutch three-step take-up process, consisting in order in a work intake interview, a benefit assessment interview and eventually a labour force re-integration plan interview. Next to the concrete design of one-stop-shops, equally strong emphasis was put on the various goals of organisational reforms in terms of reduced administrative costs, greater client-orientation and work focus to the benefit system (Hartz commission 2002). In contrast, as pointed out by Fleckenstein (2011), only little consideration was given to potential implementation problems.

Generally speaking, it seems that in the German case, the examination of foreign models of one-stop-shops above all helped to reinforce the preference of members of the two commissions for the most ambitious solution of fully integrated services. However, apart from a short mention of Jobseekers' Allowance in the UK as one unique example of integrated benefit schemes for the short-term and long-term unemployed, the discussion of foreign experiences remained essentially concentrated on organisational aspects (Hartz Kommission

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<sup>77</sup> While this model was the one recommended by the Hartz commission, it was dropped at the legislative stage in the political negotiations.

2002). In this respect, it cannot be said that the idea of a substantive integration of unemployment and social assistance originated from policy diffusion. In fact, the account presented in the German country chapter shows that the idea of substantive benefit integration already emerged well before the election victory of the Schröder government in 1998, when a SPD-led *Länder* working group was constituted to recommend solutions to push for in case their party won the 1998 general election. Strikingly, a very similar process took place in the UK. Shortly before the 1997 General Election, which saw the victory of New Labour, meetings within the party were held that aimed to define New Labour's future reform strategy in various policy areas. This is in this context that the option of one single integrated agency was very first raised (see chapter 4).

Finally, like in Germany, the Danish labour market authorities scrutinized the Dutch and British experiences with integrated services. The Ministry of Employment organised visit tours in both countries in the first months after the 2001 election of the liberal-conservative government, in connection with the preparation of the 2002 reform 'More people into work'. Although their objectives were not solely centred around organisational restructuring, the creation of integrated employment services obviously belonged to the reform innovations that were brought back from visits to the UK and the Netherlands (Danish Ministry of Employment 2004: 58). However, similarly to the British and German accounts, it is difficult to attribute the emergence of the idea of integrated employment services solely to lessons drawn from abroad. Like its two counterparts, the Liberal Party had already shown strong interest in bringing together the systems for the insured and non-insured unemployed well before its election victory. In 1996, senior members of the Liberal Party, including Anders Fogh Rasmussen who then became the leader of the party, had already called for a radical substantive merger of unemployment insurance and social assistance for unemployed people (Carstensen 2010). At his arrival in office, he had abandoned the idea of integration at the substantive level, probably for reasons of political feasibility. However, in light of this early interest in integration, it would be exaggerated to state that the idea only originated from lessons drawn from abroad, although they probably gave the liberal-conservative government additional reasons for concretising its aspiration.

All in all, empirical evidence shows that policy diffusion had some influence on the adoption of organisational reforms in the three countries under review. Lessons from experiences made abroad certainly gave a decisive impulse for a serious attention paid to these reforms, and certainly reinforced governments in their intention. Also, they seemed to have been particularly valuable for the concrete design and internal organisation of tasks of integrated gateways (on the Danish case, see e.g. Danish Ministry of Employment 2003). However, it is worth noting that, at least in the British and Danish cases, instances of policy diffusion seemed to have taken place mainly at the level of senior civil servants. In contrast, as seen in the three country accounts, the political emergence of the idea, i.e. its emergence in high-level political circles, occurred much earlier. In the German and British cases, this happened in close connection with upcoming elections and the search for a future reform agenda by governments who were in opposition at the time. This therefore suggests that the very first emergence of the idea of organisational reforms towards integrated services was deeply

grounded in national contexts, and more particularly in electoral contest and the search for new solutions to put onto the political agenda.

A final remark needs to be made regarding the aspects of the reforms that received attention. As mentioned previously, lessons drawn from foreign models mainly concerned the overall goals and operational organisation of integrated jobcentres. In contrast, potential implementation problems and actual impacts on employment outcomes and social expenditures were not included in the various reports. To some extent, this can be explained on the one hand by the short time frame over which discussions on organisational integration emerged in the three countries, and on the other, by the time constraints under which commissions and policy-makers operated. However, at the time when Danish and German policymakers looked at the introduction of Jobcentre Plus, i.e. in 2001-2002, some first results on the British initial ONE pilots were available. Among other things, they highlighted the short-term disappointing impact of the integrated gateway on employment outcomes and the implementation gap between initial expectations and operational reality (Work and Pensions Select Committee 2002). These early findings never appeared in reports made by German and Danish policymakers, however. As stressed by the Danish Ministry of Employment, as both the Dutch and British models had been just established at the time of the visits, it was too early to draw firm conclusions about the effects of the various measures (Danish Ministry of Employment 2003: 196, 2004: 58).

It is difficult to know ten years later whether the little interest in implementation problems and effects was due to time constraints, or due to a deliberate strategy to withhold the problematic aspects of the organisational reforms, or, alternatively, whether this was simply the result of a unconscious cognitive bias from reform-minded policymakers inclined to remember only the appealing aspects of organisational reforms. In any case, the observed ignorance of potential implementation problems indicates that, when it comes to complex reforms like organisational reforms, policy diffusion tends to be selective in favour on what is viewed as the most positive aspects of the reform. This is likely to hold even more true when reforms that are examined are still in an early implementation phase, making it impossible to have access to final and detailed evaluations.

### ***Truncated learning from pilot projects?***

Next to policy diffusion, governments can also learn from their own experiences and failures of past policies. The theoretical part of this study made the distinction between unconscious, collective and planned forms of policy learning. In this section, I more specifically concentrate on planned processes of policy learning as pilot projects on intermediary forms of inter-agency cooperation were initiated in all four countries. As it turns out, their actual use is very informative as to the limits of a rational, problem-solving understanding of the adoption of organisational reform. As it will be seen, the particular treatment given to these initial pilots undermines the vision of organisational reforms as solely driven by the desire for more effective and efficient organisational arrangements. Instead, it points to the critical role played by political motivations and commitment in the decision for engaging in the most ambitious way of integration.



In their attempts at improving the coordination of the provision of social and employment policies, it is remarkable that all four countries, including Switzerland, started first by launching pilot projects to test out the potential of cooperation between the various public agencies involved. In each country, these pilots were launched shortly after governments had publicly expressed their interest in improved coordination. In this sense, they can be considered to be the first moderate attempts at bringing about more coordination between agencies. All national pilot projects shared the goal of exploring the most promising way to deliver social and employment policies in a more coordinated way, albeit with some variations according to the country. As discussed in the British country chapter, the aim was not so much to test out models with different degrees of services integration, but rather to compare the potential of various variants of delivering the single work-focused gateway, including one in which the tasks of benefit administration and employment services were fully delegated to the private and voluntary sectors. The MAMAC pilot project in Switzerland was also a particular case as it sought to test out a unique collaboration process conceptualised at federal level. These variations notwithstanding, in all countries, the pilots were originally planned to run for a two- or three-year period, extending up to five years in the Swiss case, and at their launch, were systematically presented as a means to collect sufficient knowledge on the most effective models before taking the final decision on the future shape of delivery services.

And yet, the evidence collected in the country chapters shows that things happened quite differently in reality. In practice, the Swiss MAMAC project is the only pilot which operated until its planned end, and this without any decision on the future of coordination being taken by the government in the meantime. In all three other countries, in contrast, it appears that governments announced their decision for a radical integration of services well before the end of the pilots, sometimes even only a few months after the pilots had actually started to operate (see table 8.1). In the UK, for instance, this was only five months after the private and voluntary variants started to operate.

**Table 8.1: Time discrepancy between pilot projects of collaboration and decision for a radical solution**

	<b>Pilot projects: Starting and ending point as initially planned</b>	<b>Government’s official decision to merge systems</b>
UK	ONE pilots: between June and November 1999- April 2002	March 2000 by PM Tony Blair
Germany	MoZArT pilots: April 2001- End 2003	August 2002 by Chancellor Gerhard Schröder
Denmark	Spring 2003-End 2005	April 2004 in connection with the structural reform proposal

*Note:* Official decisions refer to the time when governments publicly unveiled their decision to rapidly merge the systems. In Denmark and Germany, informal agreements were made already before.

Clearly, this incongruence between the initial schedule of pilot projects and political decisions critically underlines the different time frames under which politics and evidence-based policy-making operate, thereby broadly corroborating previous work on the limits of planned learning in politics (see chapter 2). But to which extent were the pilots nevertheless able to influence the decision of governments to push for a radical way of integration in the three countries?

On the one hand, it is obvious that, in all three countries, the decision occurred far too early to rest on firm evidence that fully integrated arrangements were more effective in reducing benefit dependency and social spending than more modest forms of coordination. In the UK, first comprehensive results from the ONE pilot were reported only in the second part of 2001, i.e. more than one year after the Blair government had announced the merger of the Benefits Agency and Employment Service, and they were fairly disappointing with respect to the objective of increasing inactive benefit claimants' chances of labour market reintegration (WP Committee 2002). The Danish case provides another typical example that shows the government's decision of integrating employment services did not rely on firm findings on the effectiveness of this model. As planned in 2002, the pilots were due to start to operate from spring 2003 (see table 8.1.). Yet, as pointed out in chapter 6, the source of knowledge that has most clearly affected the subsequent policy-making process is probably the sector report from the Ministry of Employment, which was delivered at about the same time as pilots were launched, and, in the words of several respondents, offered itself a biased account in favour of a municipalisation of employment services.

Such examples critically highlight that radical organisational reforms were not solely driven by the goal of looking for more effective ways of delivering social and employment services, and that part of the reasons for such rapid decisions have to be found elsewhere. In this respect, the British Parliamentary Work and Pensions Committee's inquiry into the lessons to be drawn from the ONE Pilots raised the pertinent point that:

*"If, in the words of the Minister, it is "too soon" to draw firm conclusions as to whether ONE has made a difference to employment outcomes, it may also be too soon to announce plans to extend a similar approach across other parts of the country."*  
(WP Committee, ONE pilots 2002: 10)

Yet, in spite of this, this does not mean that pilot projects had had no influence on the decision to radically restructure existing systems. As pointed out in the German and British accounts, early monitoring from pilots seem to have helped policymakers realise the limitations of inter-agency collaboration in one-stop-shops. In the UK, policymakers argued that one lesson they could rapidly draw from the pilots was the need to back up the front-line integrated gateway by integrated management structures and clear lines of accountability (interview UK1, minutes of evidence SS & EE committees, 3 July 2000). In Germany as well, the Hartz commission's recommendation in favour of an integrated system for the long-term unemployed was apparently facilitated by early experiences from MoZArT projects stressing important complications related to the persisting legal and organisational division of responsibilities (Geschäftstelle der Hartz Kommission 2002). Therefore, one cannot completely rule out that early knowledge gained from pilots did not influence governments in

their decision to turn to more radical coordination efforts. Moreover, for highly technical reforms like organisational reforms, it is rarely the case that policy-makers know exactly what to do and how to establish a new organisation from the onset (Gilardi et al. 2009). The UK is a case in point, as at the time when the idea of a single gateway was starting to get serious political attention, policymakers seemed to have genuinely believed that co-location was the best way to go (Social Security Select Committee 2000: Q: 15).

However, it is rather doubtful that the evidence gathered by pilots on the limits of collaboration was alone sufficient to explain the turn to comprehensive organisational reforms. The Swiss experience with MAMAC is interesting in this respect. Indeed, among the pilot projects under review, the Swiss project was the only one for which the government waited for the evaluation before deciding upon the future of collaboration. Yet, despite relatively pessimistic findings on the impact of the collaboration project (positive effects on front-line practitioners' mutual comprehension and client-orientation were counterbalanced by no effects on labour market integration of the targeted groups and social spending), the Swiss federal government nevertheless concluded that collaboration remained the best option to improve the employment support of the disadvantaged unemployed (see chapter 7).

This contrasted use of negative feedbacks demonstrates the loose causal-effect relationship between 'evidence of failure' and the turn to more comprehensive organisational reforms, and tends to confirm that organisational reforms need a political fertile soil to gain ground. Moreover, as illustrated in the three country chapters presenting the agenda-setting of organisational reforms, decisions as to the core features of new organisations, such as the allocation of political and financial responsibilities, remained highly politicised and subject to fierce political negotiations during the formulation stage.

This does, however, not completely invalidate the role of pilots. As suggested above, even at early stages of development, pilots can provide proof of the advantages of having fully integrated systems. If it is hard to believe that governments pushed for the issue of radical integration only on the grounds of their early realisation of the limitations of collaboration, it is however certainly true that pilot projects provided governments and policy experts additional valid reasons for engaging in and justifying their choice for more integrated solutions. This would then mean that the knowledge gained from the pilots served an important but frequently denied function of 'substantiating' governments' preferences (Boswell 2009). What is more, it should be noted that pilots seem to have equally played an important role later on in the practical conception of integrated jobcentres. Indeed, even though the main features of integrated services were primarily a political issue, the internal organisation of tasks like take-up and case management processes, benefit administration, or employers' services, were all elements that did not require political intervention, and for which pilots provided valuable sources of knowledge. Finally, as seen in the German and British accounts, pilot projects seem to have equally fulfilled a third function of allowing for the postponement of sensitive decisions about the coordination of social and employment policies at times when the administration was occupied with the implementation or preparation of other reforms.

All in all, the previous two sections on learning processes, while not denying their role in the adoption of comprehensive coordination reforms, shed light on important limitations of a conception of these reforms as solely motivated by the need to solve socio-economic and organisational problems or by the search for the most effective way to deliver social and employment policies. Instead, on many occasions, the evidence suggests that a government's commitment to push for these reforms plays a decisive role in their agenda setting. The next sections therefore discuss the extent to which the theoretical argument based on the conjunction of multiple goals to fulfil through organisational reforms can explain this political commitment.

### **8.3. Capturing the attention of government: organisational reforms, activation policy and institutional goals**

In line with the welfare state literature dealing with recent organisational changes in social and employment policies, the accounts presented in the four country chapters have broadly confirmed that the rise of organisational reforms was embedded in a larger activation policy agenda that sought to extend work-related support to the categories of jobless people furthest from the labour market. In all four countries, governments came to the idea of coordination at around the same time as they sought to reinforce the employment orientation in benefit schemes for these categories of benefit claimants.

In this respect, in all four countries, the justification for organisational reforms focused on the unequal access to labour market programmes and job-search support between the short-term unemployed and other groups of benefit claimants who were not systematically required to be registered with the PES in the past. In fact, in all countries covered by this study, the rationale for initiatives towards greater coordination was strikingly similar: it was first to allow the most disadvantaged jobless people to have better and more uniform access to the services of the PES, both in terms of active labour market programmes and job search support. Second, by pooling portfolios of labour market programmes and competences of front-line staff with various professional backgrounds, it was claimed that coordination reforms would favour individualised support, oriented towards personal needs rather than benefit status, and thereby increase the chance of labour market integration for the most disadvantaged unemployed. Even in the Swiss case, the case study showed that inter-agency cooperation was deeply rooted in the objectives of improving needs-oriented support for jobless people with complex problems, and easing their transition from benefit dependency to work. Finally, from a NPM point of view, all governments presented organisational coordination as a step towards a more streamlined and user-friendly system seeking to prevent people from going from one agency to another in order to receive the benefits and services they needed.

However, beyond this general finding, this study revealed that in the countries where organisational reforms took place, they were not simply part of a larger labour market policy agenda intended to expand the focus on work to categories of benefit recipients other than the unemployed. In the UK and Germany, their introduction was also directly coupled with substantive changes in activation policy.

As shown in the British country chapter, the New Labour government arrived in office with a well-elaborated welfare-to-work agenda centred on encouraging people traditionally considered as inactive back to work. Programmatically, the agenda was built around two elements: the creation of greater employment-related opportunities on the one hand, and the strengthening of obligations and responsibilities on the beneficiaries' side. As the core measure of this agenda, the 'New Deal' was progressively introduced for various target groups, combining job search support and participation in training or employment programmes (Trickey and Walker 2000, Lindsay 2007). But the New Deal programmes were not the only measure of this agenda, and other measures seeking to make work pay included working tax credits and even some selective benefit cuts (e.g. for lone parents).

The introduction of the single work-focused gateway was an integral part of that welfare-to-work agenda seeking to expand the work support and activation approach to the non-unemployed benefit claimants. As shown in chapter 4, it emerged in part from the practical observation that front-line staff in the Benefits Agency lacked the necessary competences in employment issues to effectively implement the New Deals for the categories of jobless people they had to deal with. But it also gained rapid ground because, very early on, some policy-makers within the DSS saw it as an interesting means to introduce a first element of work-related compulsion for previously inactive categories of benefit claimants. This translated a few months later into a concrete reform proposal in which the set-up of the single work-focused gateway was to be accompanied with the introduction of mandatory work-focused interviews that each new benefit claimant had to attend in order to get benefits (see DfEE and DSS 1998). The actual work-related requirement was soft, as it only involved the participation in one interview, and did not include any further obligation to take follow-up interviews or look actively for work. However, for several categories of benefit claimants traditionally considered as inactive, like lone parents and disabled people, the work-focused interview *de facto* constituted the first work-related condition to benefit receipt, as participation in a New Deal programme had until then remained voluntary for these groups (Trickey and Walker 2000). As it turned out, the work-focused interview proved the most controversial element of the reform and attracted strong criticism from Labour MPs and associations of disabled people and lone parents.

The case of the German Hartz IV reform provides an even more obvious example that organisational reforms served the purpose of implementing substantive activation policy changes. This is evident in the simple fact that, unlike in other countries, the Hartz IV reform was above all about merging two income support benefit schemes. But the reform also introduced many changes in the activation system for the long-term unemployed. As demonstrated in chapter 5, the Schröder government had remained long hesitant on a comprehensive activation reform for the long-term unemployed in receipt of either unemployment assistance or social assistance. It is only in 2001 with the Job-AQTIV reform that it took a first step in direction of a stronger employment orientation of unemployment benefits. However, the reform remained centred on changes in labour market instruments and refrained from coercive activation measures. Moreover, it did not affect the employment-related support within social assistance.

From this point of view, it can be said that the Hartz IV reform itself became the comprehensive activation strategy that the Schröder government had not been able to adopt in its first term in office. It encompassed all the elements of a comprehensive activation strategy: on the enabling side, the country case study showed that the reform was, from the outset, driven by the objective to significantly improve the quality of job search support and enrich the portfolio of active labour market programmes available to the long-term unemployed. These expansive elements were, however, counterbalanced by tightened work requirements and sanctions on the demanding side (Bundestag 2003). Finally, as discussed in the German country chapter, Schröder's decision to set benefits for the new Unemployment Benefit II at the low level of social assistance can be also seen in relationship to activation policy changes, as a means to increase work incentives. In this sense, it can be said that the Hartz IV reform, by integrating the two benefit schemes, allowed for a complete redefinition of the balance of employment-related rights and obligations for the long-term unemployed.

To a large extent, the idea of a one-tier employment system in Denmark emerged in a similar context as in the UK, marked by the election of a new government committed to expand the work focus outside the realm of unemployment insurance. About six months after its election victory, the liberal-conservative government presented a comprehensive activation reform proposal intended to harmonise the portfolios of active labour market programmes and work requirements between the insured and non-insured unemployed. The reform also sought to make employment financially worthwhile by selectively cutting social assistance benefit levels. Although primarily centred on substantive policy changes, the reform proposal nevertheless made it clear that the long-term objective was a one-tier employment system for all the unemployed that would organisationally underscore the harmonisation of instruments and rules at the substantive policy level (see chapter 6). The goal of organisational integration was therefore clearly embedded in activation policy goals from very early on. Yet, the substantive policy and organisational components of the reform were kept separately in the Danish case. While the substantive elements of the reform 'More people into work' were adopted by Parliament in 2002, more concrete reform plans on the issue of organisational integration were only unveiled in connection with the structural reform in 2004 (see chapter 6).

Hence, unlike in the British and German cases, no activation policy change was directly attached to the organisational integration of employment services in Denmark. Rather, organisational integration succeeded substantive changes in active labour market policy. While the Danish jobcentre reform was not coupled with activation policy changes, it was in contrast linked to institutional goals. As discussed in the Danish case study, one of the reasons why the issue quickly attracted serious attention from the liberal-conservative government was the opportunity it offered to completely reshuffle the distribution of responsibilities in labour market policy in direction of a decentralisation of political responsibility, greater central control on implementation, and weakened role of social partners in the area.

Because institutional goals had been closely associated with the desire to ensure an effective implementation of the work-focus agenda entailed in the 'More People in Work' reform, it could be of course argued that the Danish government's interest in institutional reshuffling was nothing more than an indirect means of achieving activation policy goals. As pointed out

in chapter 6, from very early on, the government had been very critical of both the implementation deficits in local activation policy and the excessive powers of regional institutions, which, in the case of labour market policy, had allowed social partners to give strong priority to training and education programmes. In this regard, it is true that the integration of employment services, because it necessarily required a redefinition of responsibilities, provided a convenient opportunity to remove these institutional obstacles to the pursuit of a greater work-first approach.

However, as discussed in the Danish case study, the interest of the liberal-conservative government in institutional change have been perhaps even wider, rooted in the political desire to shift political blame for implementation failures onto local authorities, and send a political signal that social partners and the SPD were not needed for the Danish labour market to perform well. The extent to which such political motives behind institutional reshuffling have really prevailed in the liberal-conservative government's considerations is difficult to demonstrate. Nevertheless, the prospect of achieving stronger centralised control over the implementation of active labour market policy through the integration of employment services has undeniably constituted one central argument in favour of the reforms.

At this point, it is worth discussing the role of institutional goals in the agenda setting of organisational reforms. Generally speaking, at the exception of the Danish jobcentre where institutional motives were present from the beginning, it cannot be said that institutional goals played a fundamental role in the emergence of organisational reforms. In the UK, given the high degree of centralisation of tasks that prevailed in social and employment policies, the issue was, not surprisingly, absent of the debate. In fact, the only other country where institutional issues were at stake was Germany. In contrast to Denmark, they focused above all on the goal of unburdening municipalities from their social assistance spending. As discussed in chapter 5, the rapidly deteriorating financial state of local authorities in 2002, as well as the promise of the Schröder government to expand child care facilities (that had to be financed by local authorities), certainly explain a good part of Schröder's initial decision that the federal state took over full financial responsibility for Unemployment Benefit II. However, the fact that informal working groups had already reached an agreement in principle on the integration of the benefit schemes before the municipal financial crisis took hold, and that the Schröder government did not wait for the Commission on municipal finances to deliver its proposals somewhat contradict the idea that the municipal financial crisis acted as a major driving force in the agenda-setting of the Hartz IV reform. It certainly gave an important reason for engaging in the most radical way of benefit integration, but did not constitute the sole driving force behind this choice.

This study illustrates that in all three countries where organisational reforms took place, these were embedded in a larger activation policy agenda aimed at expanding employment support to the long-term unemployed or other categories of benefit claimants traditionally deemed as inactive. What is more, organisational reforms were all closely tied to either substantive policy or institutional changes in labour market policy. In fact, the Swiss case is possibly the only one where initiatives towards greater coordination have never been coupled with substantive policy or institutional changes, nor have they been embedded in a wider reform strategy aimed at strengthening and harmonising employment support to all categories of

jobless beneficiaries. So far, activation policy reforms have essentially been carried out separately within each benefit scheme, and the Swiss federal government has never stated its intention to undertake a comprehensive reform seeking to harmonise activation systems in the near future. In this context, it is interesting to note that the Swiss federal parliament and government have not only always rejected calls for a large-scale reorganisation of the Swiss welfare state, but have done so essentially by arguing that the sole goals of improving efficiency and effectiveness were not compelling enough to offset the high risks of political failure or complex compromise solutions (Conseil Fédéral 2012: 57).

The fact that the Swiss federal parliament and government question the validity of arguments based on efficiency and effectiveness suggests that the coupling of organisational reforms with concrete policy or institutional changes together with a broad reform agenda on employment promotion are fundamental to enhancing the political attractiveness of such reforms. Yet, the Swiss case also illustrates that the commitment and active role of the government (or policy-makers with close links to it) are essential in such a process. When political actors outside government initiate reform proposals of this type, as happens in Switzerland, their proposals always risk being dismissed on the grounds that concrete gains are low.

However, as important as it is, the coupling of organisational reforms with either activation policy or institutional goals seems insufficient to fully grasp the reasons behind governments' choice for embarking in such reforms. Paradoxically, in all three countries, the activation policy or institutional changes to which organisational reforms have been coupled also proved to belong to the most controversial aspects of the reform initiatives. In the UK, the introduction of mandatory work-focused interviews provoked strong reactions within the New Labour itself and associations of disabled people, carers and lone parents that feared that the measure would open the door for more work-related obligations. In Denmark, the possible weakening of social partners' decision-making powers in labour market policy was the reason for the strong opposition from social partners, relayed in Parliament by the Social Democratic party and other smaller left-wing parties. Finally, evidently in Germany, policy-makers acknowledged very early on that the integration of the two benefit systems for the long-term unemployed would probably lead to cuts in benefit levels for unemployment assistance recipients and to a shift away from an income-maintenance to a minimum-income system. Throughout the period between 1998 and 2005, such a rollback was doggedly opposed, or only very reluctantly accepted, by the traditional wing of the SPD and trade unions.

In sum, in all three countries, but above all in Germany and Denmark, governments seemed to be well aware of the risks involved in coupling organisational reforms with policy or institutional changes. An approach solely centred on activation policy and institutional goals thus misses out some important aspects that convinced governments of the potential that lied in organisational reforms. In the next section, it will be shown that a great deal of the explanation can be found in the political and electoral arenas.



#### **8.4. Persuading governments to act: organisational reforms as electoral and political positioning tools**

In all countries where organisational reforms were carried out, respondents underlined the eminently political nature of decisions to embark on such reforms. And indeed, it emerged from country accounts that in the three countries where comprehensive organisational restructuring occurred (UK, Germany and Denmark), electoral considerations played a decisive role in their agenda setting.

The clearest example is perhaps Germany. There is indeed ample evidence that the setting-up of Hartz commission in 2002 and the divulgation of the 'Agenda 2010' reform programme in 2003 were not only intended to solve labour market problems, but also and above all pursued the goal of restoring the confidence of large sections of electorate increasingly dissatisfied with the government's inaction at a time of deteriorating labour market and financial situation. Many authors have already argued that the establishment of the Hartz commission was primarily an electoral act aiming at putting a new labour market reform on the political agenda in the run up to the 2002 general election (Eichhorst and Wintermann 2005, Hassel and Schiller 2010a: 227). In the same vein, chapter 5 demonstrated that the 'Agenda 2010' programme, in which the issue of the merger of unemployment and social assistance took a central position, was clearly driven by electoral motivations. In this respect, the radical and tough nature of the merger, albeit previously considered to be an obstacle, turned into a formidable opportunity for Schröder to demonstrate his ability to govern the country and take tough decisions in hard times. The fact that Schröder did not hide, but instead clearly stated his choice for the lowest possible benefit level perhaps best illustrates his intention to send a strong signal to the population about his commitment to radical change. From that perspective, the path-breaking nature of the merger of the two benefit systems clearly endorsed an important credit-claiming function aiming at securing electoral support. Retrospectively, the German account showed that Schröder was proven wrong in his expectations of electoral rewards from the Hartz IV reform. However, fact is that, at that time, he seems to have genuinely believed in the reform as one of his best available options to restore public confidence in the German government, and that this expectation has proved decisive for the rapid decision in late 2002 to champion the reform despite persisting high party internal and unions resistances.

##### ***Organisational reforms as a 'political positioning' tool***

However, Germany is not the only country where organisational reforms fulfilled electoral functions. In fact, albeit at different points in time and at a different intensity compared to the German case, the British and the Danish case studies indicate that in these two countries, electoral motives have been also key determinants in the rapid rise of organisational reforms onto the political agenda. In both cases, organisational reforms have received the support of governments very quickly after their election victory, and in both cases, it can be said that the ability of these reforms to be framed as positive changes, while at the same time to signal the

commitment of governments to radical changes in areas of labour market policy and public sector reforms have played an important role in their very early rise on to political agendas.

As shown in the British country case study, beyond the fact that the idea of a single gateway had already emerged in the higher ranks of New Labour in connection with the upcoming general election of 1997 and the search for a new reform agenda in labour market policy, many indications were there that the New Labour government subsequently grasped at the idea precisely because of its ability to fulfil several electoral functions.

Electoral functions were evident in the prompt governmental support for the idea of a single-work-focused gateway in 1998. In this framework, two features of the single gateway proved to be particularly relevant. It was first the ability of the reform to concretise several electoral pledges of New Labour. As discussed in chapter 4, the single gateway not only epitomised New Labour's welfare-to-work agenda centred on the mantra 'rights and responsibilities must go together' (through its double focus on better services but mandatory work-focused interviews), but it also gave one of the first concrete examples of its 'joined-up government' agenda at the level of administration in direct contact to citizens. These two agendas were very important to New Labour as they were at the centre of its attempts at finding a Third Way politics that went beyond the old Labour redistributive policies and the Conservatives' fixation on retrenchment and privatisation.

Second, due to its positive aspects in terms of more accessible and personalised services, the single gateway offered a welcomed opportunity to counterbalance the earlier emphasis given to increased obligations with the New Deals, and the early adoption of selective benefit cuts which caused a first wave of public and leftist anger. At that time, and despite a political discourse that emphasised twin efforts of increased responsibilities and rights, the reforms that improved rights were still underdeveloped. As pointed out in the British case study, the introduction of the single gateway thus came to be seen as one reform initiative that could compensate for this shortcoming.

Finally, it is difficult to completely disconnect Blair's decision to merge the Benefits Agency and Employment Services in 2000 from the 2001 general election. Despite a profusion of reforms undertaken in labour market policy during this first term and good records in unemployment levels, evidence from the British case study shows that Tony Blair was still concerned that he had not delivered sufficiently and that the labour market reforms adopted so far were still in piecemeal fashion. Against this background, the Jobcentre Plus reform seems to have acted as the 'icing on the cake' which was supposed to anchor organisations and a greater coherence to the profusion of New Deal programmes, and allowed New Labour to reiterate its commitment to radical change in labour market policy.

In Denmark, similarly to the UK, it would be difficult to understand the quick interest in organisational integration by the Fogh Rasmussen government without looking at electoral considerations. Only a few months after its arrival in office, in the framework of the 2002 'More people into work' reform, the government had already claimed its intention to integrate employment services and defined it as its long-term vision in labour market policy (see chapter 6). What is striking here is that the idea seems to have operated as a label on top of the labour market reform that could indicate its overall direction, i.e. towards stronger

employment efforts for the long-term unemployed on the one hand, and a more efficient and streamlined use of resources on the other. What is more, like in the UK, the latter point was in line with a more general commitment of the Liberal Party to modernise the public sector and secure value for money in the delivery of services.

Finally, similar to the UK, the Danish account highlights that the early choice of directing reform efforts in labour market policy towards the non-insured unemployed, and more particularly towards the equalisation of employment efforts for the insured and non-insured unemployed, was also part of a broader political strategy of the liberal-conservative government seeking to distinguish itself positively from its predecessors. While in government, the Social Democrats had concentrated their reform efforts on the insured unemployed. Championing integrated employment services therefore allowed the liberal-conservative government to distance itself from the key focus area of the previous Social-Democratic government. But even more importantly, because the idea of employment service integration built on the goal of equal treatment of all categories of unemployed, it allowed the liberal-conservative government to do so in a consensual way that could be hardly rejected by the opposition, at least in its broad lines (Christiansen and Klitgaard 2008, Carstensen 2010). And indeed, linked to the goal of equal treatment of all jobseekers, the idea of integrated employment services was built on principles like personalised support and more efficient activation system that the Social Democratic Party had itself supported while in government. This may help explain why in 2003 the Social Democrats agreed on the principle of integrated employment services despite their initial opposition to the idea of equal treatment of insured and non-insured unemployed (Carstensen 2010).

On this point, it is worth mentioning that in the UK as well, the proposal for a single work-focused gateway did not provoke any strong opposition from the Conservatives, as it constituted a continuation of the path they had initiated with the adoption of Jobseekers' Allowance, albeit in a larger and unprecedented scope.

Hence, in the UK and Denmark, organisational reforms, at least in the very early agenda-setting stage, entailed all the features that made them politically attractive. Not only did they fit with governments' labour market policy reform agendas, but they also offered a valuable opportunity to claim credit for concrete reforms in the area of public sector modernisation. Then, regarding labour market policy more precisely, they allowed governments to give a clear-cut direction and broad positive connotation to their reforms. In Denmark, this happened very early on with the possibility to give a long-term vision to the 'More people into work' reform. In the UK, this function was mobilised later towards the end of the electoral cycle, with the creation of Jobcentre Plus presented as the last piece of a puzzle supposed to reinforce its overall coherence. Organisational reforms offered an instrument for current government to distinguish itself from predecessors and their labour market policy, while relying on arguments or reforms developed in the past. Together with the opportunity to attach activation policy or institutional changes to them, these various electoral functions contributed to the speedy uptake of the issue by governments in the two countries. And in the UK, they also played a decisive role in Tony Blair's subsequent unexpected decision for an outright merger in 2000.

It is true that, different to the German Hartz IV reform which had a wide public resonance, evidence from cases studies showed that in these two countries, organisational reforms generally received little public attention and their actual electoral consequences have *a posteriori* remained rather limited. To a large extent, this can be attributed to the fact that integration efforts have remained solely at the organisational level in these two countries. Even though they can be framed in positive terms like more streamlined and personalised support, organisational reforms remain predominantly technical reforms, and as such, are clearly not as visible as expansive reforms at the substantive policy level such as improvements in parental leaves, child care services or even active labour market policies.

Following the distinction made by Vis (2009) between unpopular and not-unpopular reforms to differentiate between retrenchment measures and activation reforms, organisational reforms actually seem to be best understood as non-unpopular reforms that affect the median voter neither positively nor negatively. In this way, it is perhaps difficult to talk about a real potential of organisational reforms to win over votes and significantly increase re-election chances. This is especially true in countries where veto powers from political opponents can ultimately give rise to much more complex organisational arrangements as originally planned by governments. On this point, the Danish case study is revealing of the limited possibility of organisational reforms to reap electoral support when they end up in complex compromise solutions. The complex solution that emerged from political negotiations may partly explain why, when entering in the 2005 election campaign, the leader of the liberal-conservative government, Fogh Rasmussen, made only little reference to the jobcentre reform but preferred to emphasise its achievements on substantive welfare policy reforms like longer parental leaves, or on the very ambitious Structural reform.

However, this does not mean that governments have never seen real electoral opportunities in organisational reforms towards integrated services. In fact, more than an instrument exploited to win over votes of large sections of the electorate, case studies from the UK and DK suggest that organisational reforms are best understood from a political competition perspective, as a means for governments to enhance their political credibility in labour market policy. From this perspective, the targeted audience is perhaps not so much the median voter, but political parties in opposition and their prospective criticisms against half-hearted politics in labour market policy. In this context, organisational reforms are probably best depicted as political positioning tools which helped governments to underscore the innovative and comprehensive nature of their reform agenda, in a way that could be hardly rejected by their political opponents and predecessors, at least in its overall principle. The relationship between organisational reforms and the political context in which they arose is precisely the subject of the next section.

### ***Governments' turnovers and political pressures for change***

Unlike what had been predicted in the theoretical argument, this study has found that, in all three countries where organisational reforms took place, electoral goals were key determinants in the agenda-setting of organisational reforms towards integrated services. Of course, electoral motivations were not always determinant at the same points in time in the

agenda-setting process, and they took somewhat different meanings depending on the country. However, their importance in all three countries suggests that electoral goals are not necessarily more likely in power-concentrated political systems like the UK where communication to the public is a central aspect of politics. Also, and perhaps even more importantly, it shows that organisational reforms are not a typical partisan issue since both left-of-centre and right-of-centre governments saw in such reforms similar electoral opportunities.

How can one explain, then, that broadly similar electoral goals were pursued by governments of different political colour? It is argued here that one fruitful explanation can be found in the particular political pressures facing governments freshly arrived in office after long periods in opposition on the one hand, and the ability of organisational reforms to fit with these pressures on the other. The remainder of this chapter assesses the relevance of this argument by comparing the political situation of the three governments having embraced comprehensive integration initiatives and then contrasting them with the Swiss case, where the Swiss federal government faces quite different electoral incentives.

One striking finding from the country case studies is that, in all three countries where organisational reforms took place, the idea first emerged in close connection with the election victory of political parties having long been in opposition. What is more, the description of political contexts in each country chapter showed that, in labour market policy, all three governments had in common that they arrived in office confronting particularly strong political pressures to achieve good results, while having at the same time only limited possibilities to enact large-scale retrenchment measures.

Depending on the country, the reasons for these particular pressures for results in labour market policy differed, however. In the UK, New Labour had centred its 1997 election campaign on the promise to help 250'000 young unemployed back into work by the end of its first term in office. This was also the case of the Schröder government, which had set the reduction of unemployment under the threshold of 3 million people as its main objective for the next four years in office (see chapter 5). Yet, for these two left-of-centred governments, achieving these promises by the means of large-scale benefit cuts was not an option, at least in their first years in office. New Labour and the German SPD had been largely elected to bring an end to the neo-liberal reforms pursued by their Conservative predecessors, and they had precisely centred their election campaign in that direction, emphasising their capacity to bring about change while preserving social rights. Reducing unemployment solely by means of retrenchment was therefore very likely not to be sanctioned in the next general election.

Finally, the liberal-conservative government in Denmark confronted very similar pressures to its two Social-Democrat counterparts on labour market policy, albeit for quite different reasons. True, the Danish liberal-conservative government had not arrived in office with a similar strong commitment on labour market policy (see chapter 6). Yet, a few months later, linked to the 'More people in work' reform, it also set itself the precise target to increase the total workforce by 87 000 people by 2010 (Danish Government 2002b). In addition, and similarly to New Labour and the Schröder government, it had been partly elected on its pro-welfare positions, and due to the exceptional performance of its Social-Democrat

predecessors on unemployment, found itself obligated to perform at least as well in that policy area, yet without being able to pursue the neo-liberal reform agenda it had pleaded for during the 1990s.

The arrival into office of political parties that had been in opposition for a long time and the resulting political pressures facing them in terms of labour market policy seem to largely account for the turn to organisational reforms. First, as governments newly arrived in office, all three governments had to find new solutions in labour market policy that were distinct from the policies pursued by their predecessors. Second, and even more importantly, they had to find solutions that could be framed in terms of positive but radical developments. As developed in the previous section, organisational reforms that primarily affected organisational structures in the UK and Denmark precisely possessed these two qualities. Not only did the solution of organisational integration allow them to show that they were doing something radical in labour market policy, but they also allowed them to do so by giving them a positive connotation.

In Germany, the process was significantly slowed down by Schröder's initial reliance on the tripartite Alliance for Jobs for the development of a comprehensive labour market reform agenda, and then by the politically controversial nature of the radical path of benefit integration and the substantial benefit potential cuts it involved. These two phenomena contributed greatly to delays in setting the agenda of the integration of unemployment and social assistance. However, the country chapter also pointed out that, in the face of a probable electoral defeat in the 2002 general election, and following a slight shift in public opinion in favour of radical changes, the need to announce a radical reform eventually won out over political resistance to retrenchment. From this point of view, and despite the particularly strong dilemma that the German Hartz IV reform posed for the Schröder government, the German case still highlights the decisive role played electoral pressures that weigh on new governments to perform well in labour market policy.

In contrast, the Swiss federal government operates under quite a different set of pressures. As discussed in chapter 7, the Swiss government incorporates all major political parties and does not hold its mandate from popular elections, but from Parliament. These features have several inhibiting implications for the rise of radical or innovative solutions. First, this means that the Swiss government is not subject to the same regular turnovers that prevail in most European countries, which obviously limits the opportunities to search for distinctive reform agendas and innovative solutions. Second, it is not bound to account to the population for its achievements at the end of every term, nor can it be rewarded or punished by the population for its reforms or inaction. In the same vein, given that the Swiss government incorporates the four largest political parties, no party can be rewarded or sanctioned for the reform it undertakes or not. Finally, according to the collegiality principle, decisions to push for reforms within the government have to be supported by all members (see chapter 7). Hence, compromises and negotiations are 'rules of law' already at that stage of agenda-setting, with the consequence that discussions within government are quickly overwhelmed by considerations related to political feasibility and inclusion of potential conflicting interests (Bonoli and Häusermann 2011).

And indeed, the Swiss account of calls for organisational reforms shows that arguments based on their low political feasibility and their uncertain gains have prevailed in parliamentary and governmental positions. Of course, it can be argued that the main reasons for these reserved positions are to be seen in the high number of veto points in the Swiss political system, among which the threat of a popular referendum features prominently, and in the low degree of socio-economic problems. However, the German political system is also well-known for the many veto points that can emerge in decision-making processes and, as pointed out in the German country chapter, the Hartz IV reform was from the beginning considered by policy experts as politically and institutionally unfeasible, not least because it involved constitutional changes. In addition, while it is true that Switzerland faces comparatively minor socio-economic problem pressures, the Danish case study has shown that organisational reforms towards integrated service delivery systems may be championed in relatively favourable socio-economic contexts.

Hence, comparing the Swiss with the German and Danish political and socio-economic contexts, it appears that part of the explanation for the government's rejection of calls for organisational reforms in Switzerland also resides in the 'modesty bias' of the Swiss government, which derives from its multi-party composition and lack of any obligation to publicly account for its reforms. In fact, the Swiss case thus suggests that the political pressures facing new governments and the prospect of electoral rewards or punishment in cases of inaction or half-hearted reforms are important determinants in the agenda setting of organisational reforms.

This study therefore not only highlights the critical role played by electoral and 'political positioning' goals in the agenda setting of organisational reforms, but also the particular importance of the political context in which governments operate. In this respect, it appears that the convergence of strong political pressures facing governments and the ability of organisational reforms to meet demands for radical and innovative changes explains a great deal of the political attractiveness of these reforms. Looked at in this way, organisational reforms may be attractive for both left-of-centre and right-of-centre governments.

However, this study has also shown that, even if electoral and political motivations have been key determinants in persuading governments to put the idea of reform on their political agenda shortly after their election victory, and to suddenly push for radical mergers later in the process (as it was the case in Germany and the UK), electoral goals have not been the sole motivation for the turn to organisational reforms. As seen in this chapter, the opportunity to couple organisational change with activation policy or institutional changes greatly contributed to their political attractiveness. In line with the theoretical argument developed previously, it is therefore perhaps best suited to talk about the rise of organisational reforms onto governmental agendas as the conjunction of several expected gains to be made from such reforms.

Moreover, at this point, a few more words deserve to be said about the role of windows of opportunities in the decision to engage in organisational reforms, and which has been assumed to contribute to the adoption of organisational reforms in the theoretical model (see section 2.5). The argument about the decisive role of electoral considerations may suggest that

this type of goals is, alone, powerful enough to persuade governments to go past the high risks of political resistance to activation policy and institutional changes and ignore the most uncertain effects on employment outcomes and social spending. This is certainly true for the initial stages of agenda-setting, wherein organisational reforms were still merely rough conceptual ideas.

However, in later stages of the agenda setting, when organisational reforms were made more concrete and governments realised their potentially controversial nature, empirical accounts show that windows of opportunities and focussing events helped governments to take decisive steps towards unveiling concrete reform proposals. This was particularly evident in the two countries (Germany and Denmark) where integrated system reforms involved changes in the prevailing distribution of responsibilities between the state and non-state actors. In Denmark, these were the political negotiations over the Structural reform that allowed the Fogh Rasmussen government to transition from an initial, loose declaration of their intention to create one-tier employment services to an offer of a more concrete reform proposal. In Germany, the agenda setting of the Hartz IV reform also benefited from two different focussing events: first, the placement scandal of the PES in early 2002, and second, the public opinion crisis at the end of 2002/early 2003, which led Chancellor Schröder to decide on an offensive reform agenda (see chapter 5).

Perhaps with the exception of the German placement scandal, it is worth noting that these trigger events took place in the political and electoral arenas. They therefore do not contradict, but rather complement the point made above about the prominence of electoral and political positioning motivations. Interestingly, they not only propelled the agenda setting of organisational reforms, but they also seemed to have roughly influenced their content. As discussed in the Danish country chapter, it is in the framework of political negotiations over the Structural reform that the municipalisation of employment services was agreed upon, and in the German case, the choice of the lowest possible benefit level can partly be interpreted as a direct response to the growing public dissatisfaction with the Schröder government's politics of inaction.





## **CONCLUDING REMARKS: EXPANDING THE HORIZON OF ORGANISATIONAL REFORM**

This study has tried to challenge the conventional view of organisational reforms as a self-evident response to the discretionary problems and needs induced by the fragmentation of welfare states. Instead, it has proposed to take a reverse perspective by looking at the particular motivations and situations of governments and the various types of opportunities such reforms offer them. In particular, this study has shown that two types of opportunities were determinants in the success of organisational reforms that integrated the provision of income protection and employment services: first, the perceived opportunity for introducing some controversial activation policy or institutional changes into labour market policy, and second, the political opportunity to demonstrate ability to bring about radical and innovative changes in labour market policy. Reflecting the pre-existing organisational structure of welfare states and the socio-economic and political contexts in which governments evolved, organisational reforms in social and employment policies took very different shapes across countries and the process of their rise on to political agendas displayed variations in sequences and timing. However, in all countries where organisational reform was carried out, the perceived ability of governments to couple the reform with one of these two functions contributed much to their political appeal and their subsequent rise on to political agendas.

By taking an approach based on the motivations and political position of governments, this study provides interesting insights into the literature on agenda setting. While the adoption of coordination reforms can be largely understood as the result of a happy conjunction of goals, this study has also shown that the decision of various governments to champion this type of reform is no mere coincidence. Unlike Kingdon's multiple-stream model, according to which the rise of a policy solution on the political agenda is seen as the result of a fortuitous conjunction of the existence of a problem and a favourable political environment, this study has shown that no newly appointed government is likely to embrace any type of viable and feasible policy solution. The arrival of a new government in office certainly facilitates the emergence of new policy solutions. However, governments do not arrive in office in a vacuum. They arrive with reform agendas, commitments, and often, strong political pressures to fulfill their election promises. As illustrated in this study, all three national governments arrived in office confronted with the same dilemma in labour market policy: to demonstrate ability to bring about change in labour market policy while pursuing a leftist pro-welfare reform agenda. In this respect, comprehensive organisational changes, which could be framed as radical, new but positive reforms (at least in the UK and Denmark), garnered serious governmental attention notably because they offered a means to reconcile these contradicting pressures. In Germany, it is difficult to talk about an opportunity to reconcile pressures for positive and radical changes. Yet, the decision to push for the Hartz IV reform cannot be understood without looking at the pressures for radical reform in labour market policy and the fragile political position of the Schröder's government at the beginning of its second term in office. This suggests that the features of a particular policy solution and the way it relates to government policy interests and political position is fundamental in its success and political emergence.

Finally, as illustrated in this study, it is not always the most feasible solutions that are embraced by governments as in Kingdon's conception. In some cases such as Germany, very controversial and politically risky reforms can be pushed through if governments perceive a strong potential for electoral payoffs or policy gains. In fact, this study highlights the powerful effect of prospective electoral rewards on a government's expectations about the benefits and costs of radical and complex reforms. Policy-makers always operate in bounded rationality conditions, with only limited possibilities to predict and evaluate the potential effects of a reform, especially when there are strong time constraints to decision making. However, what is interesting here is that many ambiguous or negative effects of organisational reforms were neglected or underestimated when governments took the decision to go down this particular road. In this context, if the political negotiations with opposition parties in Denmark and Germany proved much more tense than anticipated by the two governments, it is probably because in the initial phase, opposition parties were unable to oppose, and did not have the idea of coordination as such. In the same vein, this study has shown that the potential implementation problems and low immediate effects on labour market reintegration were strangely absent from lessons drawn from similar reforms introduced in other countries. One explanation for this could be found in the inability of governments operating under short time-frames to gather the necessary knowledge to predict the effects of a reform with precision. However, this could also be interpreted as an unintended consequence of governments' perception of potential electoral payoffs or policy gains, making them more receptive to the positive aspects of restructuring reforms.

Although coordination reforms arose from a relatively fortuitous coupling of opportunities, they have lasting effects. They have already left evident traces on the structures of welfare states. In all three countries where they were adopted, organisational reforms have so far proved particularly resilient to change. In Denmark, it has become almost impossible for the trade unions to restore their decision-making powers in regional labour market councils and to persuade the government to relocate some responsibilities for municipal jobcentres to the state, even now that a new Social-Democratic led government has been elected (interview DK6). According to respondents, only strong evidence of failure of municipal efforts could prompt a reconsideration of the municipal jobcentre model, but given their relatively similar performance compared to the former system, this seems rather unlikely. In Germany, despite the requirement by the Federal Constitution Court to abolish the unconstitutional joint model of Jobcentre by 2010, this model, which was also the most common one, was eventually kept, even if the number the municipal jobcentres increased by about 40 since January 2012. After long deliberations, the government found it easier to change the Constitution than the organisational structure of jobcentres. This recent decision, however, means an institutionalisation of the two different models of Jobcentre, and very low chances that this dual structure will be subjected to changes in the close future. These two examples demonstrate that, if changing the machinery of government may be politically and socially very costly, it is also very difficult to reverse them in the short to medium term.

Furthermore, radical changes in organisational structures may also deeply transform the course of policy development. This study has pointed out that comprehensive organisational reforms can be used as a means to implement substantive policy changes in social and

employment policies. It has, however, largely disregarded the policy developments that followed their introduction. Yet, as illustrated by the German Hartz IV reform, organisational restructuring may have profound consequences on the architecture and basic principles underpinning income protection systems for unemployed people. In the UK, as feared by the associations representing disabled people, carers and lone parents, the introduction of the ONE pilots which gave rise to Jobcentre Plus, effectively represented the starting point of a long route towards stronger conditionality and a greater integration of benefits. With regard to benefit conditions, the introduction of one mandatory work-focused interview for all new benefit claimants in the framework of the ONE pilots quickly paved the way for a more sustained work-focused interview regime for both lone parents on Income Support and people on Incapacity Benefits. On the integration side, lone parents were progressively redefined as unemployed and the changes that affected disability benefits brought many moderately sick people into the category of unemployed people. This double process of tightening conditionality and benefit integration is now culminating in the creation of a Universal Credit that has become the flagship welfare reform project of the current Conservative-Liberal coalition government. From October 2013, the Universal Credit will bundle together six of the most important means-tested benefit scheme and tax credits for people of working age. The objectives are notably to simplify payment of various benefits and increase incentives to work through higher earnings disregards and gradual taper. In the course of 2012, the introduction of Universal Credit has already raised incommensurable concerns when the Department of Work and Pensions has announced that the reform will make 2.8 million people worse off (Mirror News 2012, 11 December 2012). And they are probably not going to die until a few years after the national introduction of the new universal benefit. This study has investigated the political rise of first comprehensive reforms towards integrated social and employment policies. The British development suggests however that more than just a punctual reform, governments of that time have set a long-lasting process in motion.

Whereas this study has primarily concentrated on one particular type of organisational reform, i.e. organisational reforms that seek an improved coordination of social and employment policies, it is also the aim of this study to improve our understanding of the adoption of other types of organisational reforms, such as reforms seeking a territorial rescaling of policies or increased contractualisation and marketisation of public services. Currently, in most of the NPM literature, such organisational changes have been predominantly analysed as public administration reforms disconnected from the broader policy and political contexts in which they arise (Green-Pedersen 2002a). Yet, like coordination reforms, reforms may have profound consequences on the institutional distribution of responsibilities and the substantive content of policies, or may offer a valuable means to demonstrate commitment to problem-solving and modernisation while avoiding having to openly attack the content and basic principles of a given policy (Klitgaard 2007, Elmelund-Praestekaer and Klitgaard 2012). Explaining their adoption without looking at opportunities for governments to achieve collateral policy, institutional and political goals would therefore miss crucial aspects of the reasons and dynamics driving such reforms. This study therefore highlights the need for a more thorough examination of the interplay between organisational reforms and the broader

policy and political goals of parties in governments in future research on the politics of organisational redesign.

## **Appendix: List of interviews**

### *The United Kingdom*

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- UK 1 Policy Manager for Welfare to Work, Department of Social Security (DSS) 1997-2001; from 2002, various executive positions in Jobcentre Plus, Department for Work and Pensions (DWP), *8 November 2010*
- UK 2 Special Adviser to Prime Minister Tony Blair, *November 2010* (written answers)
- UK 3 Dan Finn, Professor of Social Inclusion, University of Portsmouth, *13 December 2010* (phone interview)
- UK 4 Junior Minister, Department of Social Security (DSS), 1997-1998, *18 January 2011*
- UK 5 Member of the policy development team of the ONE pilots, Department of Social Security (DSS), 1997-2001; *18 January 2011*
- UK 6 Minister of Employment, Department for Education and Employment (DfEE), 1997-1999; *19 January 2011*
- UK 7 Policy Manager for Welfare to Work, Department for Education and Employment (DfEE), 1996-2000; *19 January 2011*
- UK 8 Member of the policy development team of the ONE pilots, Department of Social Security (DSS), 1998-2001; *21 January 2011*

### *Germany*

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- G 1 Head of Division, Social Assistance Department, Ministry of Employment and Social Affairs (BMAS), *23 February 2012*
- G 2 Head of Division, Labour Market Policy, Confederation of German Trade Unions (DGB), *5 March 2012*
- G 3 Member of the Office for cabinet and parliamentary matters, Ministry of Employment and Social Affairs (BMAS), *5 March 2012*
- G 4 Member of Parliament (Bundestag), SPD; Member of the Bundestag's Committee for Employment and Social Affairs, *8 March 2012*
- G 5 Policy Expert for Social Affairs and Employment, Association of Government Districts (Deutscher Landkreistag), *8 March 2012*
- G 6 Project Manager, Bertelsmann Foundation, *9 March 2012*
- G 7 Secretary of State, Ministry of Employment and Social Affairs (BMAS), *15 March 2012*
- G 8 Municipal Head of Department for Employment Promotion; *19 March 2012*
- G 9 Policy Manager, Länder Ministry of Economy and Employment (1999-2003), Policy Manager, Division of Labour Market Policy Development, Ministry of Employment and Social Affairs (BMAS) (03-08), *22 May 2012*
- G 10 Head of the Labour Market Department, Ministry of Employment and Social Affairs (BMAS), *22 May 2012*

## *Denmark*

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- DK 1 CEO, Local Government Denmark (KL), *19 June 2012*
- DK 2 Senior Advisor, Confederation of the Danish Employers (DA), *20 June 2012*
- DK 3 Minister of Employment (Liberal Party), *20 June 2012*
- DK 4 Senior Advisor, National Labour Market Authority (AMS), Ministry of Employment, *22 June 2012*
- DK 5 Mikkel Mailand; Associate Professor, Employment Relations Research Centre, University of Copenhagen, *22 June 2012*
- DK 6 Senior Advisor on labour market policy; Danish Confederation of Trade Unions (LO), *25 June 2012*

## *Switzerland*

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- CH 1 Head of the Division “Families, Generations and Society”, Federal Social Insurance Office (FSIO), *25 July 2011*
- CH 2 Representative of the Association Romande et Tessinoise des Institutions d’Action Sociale (ARTIAS), *26 July 2011*
- CH 3 Representative of Initiative des Villes : Politique Sociale/ Städteinitiative Sozialpolitik ; member of the national coordination group for the development of inter-agency cooperation, *18 August 2011*
- CH 4 Member of Parliament (National Council), Liberal-Radical Party; member of the National Council’s Social Security Commission, *18 August 2011*
- CH 5 President of the Swiss Conference for Social Assistance (CSIAS/SKOS), *22 August 2011*
- CH 6 Member of Parliament (National Council), Social-Democratic Party; member of the National Council’s Social Security Commission, *26 August 2011*
- CH 7 Head of the federal office for inter-agency cooperation, Federal Department of Economic Affairs (SECO), *1 September 2011*
- CH 8 Member of the General Secretariat, Conference of Cantonal Directors of Social Affairs (CDAS/SODK); *6 September 2011*
- CH 9 Member of Parliament (National Council), Christian-Democratic Party; member of the National Council’s Social Security Commission, *15 September 2011*
- CH 10 Member of Parliament (National Council), Swiss People’s Party; and member of the Social Security Commission of the National Council, *21 September 2011*

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